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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:

CASE NO. 15310

APPLICATION BY COG OPERATING, LLC, TO RE-OPEN  
CASE NO. 15310 TO CONTRACT THE NON-STANDARD  
PROJECT AREA TO CONFORM WITH THE BOUNDARIES OF  
ACREAGE SUBJECT TO A PROPOSED STATE  
COMMUNITIZATION AGREEMENT, LEA COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

Thursday, June 23, 2016

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Examiner, and David Brooks, Legal Examiner, on Thursday,  
June 23, 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: MARY Therese Macfarlane  
New Mexico CCR 122  
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: Michael Feldewert, Esq.  
Holland & Hart, LLP  
P.O. Box 2209  
Santa Fe, NM 87504-2208

C O N T E N T S

CASE NUMBER 15310 CALLED	
APPLICANT CASE-IN-CHIEF	
WITNESS: JOH-AARON HOUSE	PAGE
EXAMINATION BY MR. FELDEWERT:	3
EXAMINATION BY THE HEARING EXAMINER:	10

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

APPLICANT	ADMITTED
COG OPERATING, LLC, EXHIBIT A	10
APPLICANT COG OPERATING, LLC, EXHIBIT B	10
APPLICANT COG OPERATING, LLC, EXHIBIT C	10
APPLICANT COG OPERATING, LLC, EXHIBIT D	10

1 (Time noted: 8:35 a.m.).

2 EXAMINER JONES: The next case up is No. 153710,  
3 the Application by COG Operating, LLC, to re-open Case  
4 No. 15310 to contract the non-standard project area to  
5 conform with the boundaries of acreage subject to a  
6 proposed State Communitization Agreement, Lea County, New  
7 Mexico.

8 MR. FELDEWERT: May it please the examiner,  
9 Michael Feldewert of the Santa Fe office of Holland & Hart  
10 on behalf of the Applicant, and I have one witness here  
11 today.

12 EXAMINER JONES: Will that witness please stand.  
13 The witness has been previously sworn.

14 MR. FELDEWERT: Mr. Examiner, before I begin, in  
15 the packet that I handed to you, you will see exhibits  
16 that are marked A through D, and the reason for that is  
17 because I did not want any confusion between the exhibits  
18 entered in the first case and in this matter.

19 EXAMINER JONES: Thank you. It will all go in  
20 the same case file?

21 MR. FELDEWERT: Yes, sir.

22 JON-AARON HOUSE,  
23 having been previously sworn, testified as follows:

24 EXAMINATION

25 BY MR. FELDEWERT:

1 Q. Would you please state your name and identify by  
2 whom you are employed and in what capacity.

3 A. Jon-Aaron House, employed by COG Operating, LLC,  
4 as senior landman.

5 Q. And Mr. House, did you testify as an expert in  
6 Petroleum land matters for the company in May of 2015 in  
7 the case that resulted in the issuance of the Order that's  
8 before the Division today?

9 A. Yes.

10 Q. And if I turn to what has been marked as COG  
11 Exhibit A, is this a copy of Order No. R-14033 that was  
12 entered following the case in which you testified?

13 A. Yes.

14 Q. And essentially, Mr. House, what did this  
15 Division's Order do?

16 A. It granted a 640-acre non-standard project area  
17 for the four wells listed on page 2.

18 Q. Okay. What amendment to this Order does the  
19 Company seek under this application?

20 A. We are seeking to contract the 640-acre project  
21 for a 480-acre project area.

22 Q. If I turn to what has been marked as COG Exhibit  
23 B, is this -- was this particular exhibit also entered in  
24 the initial case?

25 A. Yes.

1 Q. And does this exhibit assist in identifying why  
2 the Company is seeking now to contract the project area  
3 from 640 acres to 480 acres?

4 A. Yes. It shows the three wells that we currently  
5 have drilled and producing in black, and then the two  
6 state leases that are subject to the Section, along with a  
7 permitted red well bore that we are now extending two  
8 miles to the north. If you were to take that red line and  
9 just extend it straight north to the east half/east half  
10 of 22, that is the planned well.

11 Q. With respect to the four wells shown on here,  
12 first as to the three wells in black, you said those have  
13 been drilled?

14 A. Yes.

15 Q. Are those wells producers?

16 A. Yes.

17 Q. Are those wells listed on the second page of the  
18 initial Order?

19 A. Yes.

20 Q. And then this fourth well in red you said you  
21 are extending it as a two-mile lateral into the east half  
22 of the east half of these two sections?

23 A. Yes.

24 Q. Is that the acreage that you seek to exclude  
25 from what now is the approved 640-acre project?

1           A.    Yes.  We will exclude the east half, east half  
2 of Section 27.

3           Q.    Now, have you read the Division Order in this  
4 case?

5           A.    Yes.

6           Q.    Since that well in red on the east half east  
7 half, since it has not been drilled, is that Division  
8 Order technically in effect?

9           A.    It is not.  The Order was contingent on drilling  
10 all four wells and having them producing before it became  
11 into effect.

12          Q.    So with respect to the three wells that have  
13 been drilled and producing, are they currently dedicated  
14 to a 640-acre project area?

15          A.    They are still dedicated to the 640-acre project  
16 area.  We were waiting for the fourth well being drilled  
17 to update the C-102 to reflect the 640-acre area.

18          Q.    Because that is when the Order would be in  
19 effect?

20          A.    That's correct.

21          Q.    Now you mentioned this exhibit reflects the two  
22 state leases involved in Section 27.  Who owns the  
23 interest in those two state leases?

24          A.    COG owns 100 percent of both of those leases.

25          Q.    Is there currently, Mr. House, on file with the

1 New Mexico State Lands Office a communitization agreement  
2 for 640 acres?

3 A. Yes.

4 Q. Has the company discussed with the State Lands  
5 Office it's new development plans for the east half of the  
6 east half of the section?

7 A. Yes. And they have stated that they would  
8 contract our original 640-acre area down to 480 acres.

9 Q. Okay. Have they asked the Company come before  
10 the Division to approve the more limited project area  
11 before they actually execute and file that new  
12 communitization agreement?

13 A. Yes.

14 Q. And in fact once you get the Order from the  
15 Division, then you would be in a position to actually  
16 dedicate the existing well to the 480-acre project area?

17 A. That's correct.

18 Q. If I turn to what has been marked as COG Exhibit  
19 C, does this reflect for the Division on a Midland map the  
20 acreage that would now be part of the 480-acre proposed  
21 project area?

22 A. That's correct.

23 Q. And that is comprised of?

24 A. What that is comprised of the east half/east  
25 half and the west half of Section 27 of 21 South/33 East

1 in Lea County.

2 Q. Would the approval of this 480-acre project area  
3 allow the company to consolidate the surface facilities?

4 A. Yes. Currently the 1H and 2H are going into a  
5 single battery at the 1H location. 3H has its own  
6 dedicated battery. With the approval of this 480-acre we  
7 would then remove the 3H facility and consolidate into the  
8 1H battery.

9 Q. Okay. Now, in addition to that I wanted you to  
10 take a look, flip over to COG Exhibit A, which is the  
11 Division's Order, and I'd like you to go to page 3 of that  
12 Order.

13 So it would be Exhibit A, page 3.

14 A. Okay.

15 Q. If I go to subparagraph 12 it reads as follows.

16 It says: The formation of this project  
17 area will enable wells to be located within the project  
18 area based on drilling results instead of land  
19 considerations, will enable the fracturing of multiple  
20 wells at the same time, and ensure a more efficient and  
21 less wasteful exploitation of the reservoir.

22 Does this same conclusion apply equally to  
23 your proposed 480-acre project area?

24 A. Yes.

25 Q. Are there multiple pay zones in the Bone Spring

1 Formation that underlies this acreage for future  
2 development?

3 A. Yes.

4 Q. Now, the pool that is involved here is actually  
5 identified on the first page of this Order, correct?

6 A. That is correct.

7 And is this pool separated into 40-acre tracts?

8 A. Yes.

9 Q. And in preparation for this hearing did the  
10 Company identify the affected parties in the 40-acre  
11 tracts surrounding your proposed 480-acre non-standard  
12 project area?

13 A. Yes.

14 Q. If you flip to what has been marked as COG  
15 Exhibit D, is this an affidavit prepared by my office with  
16 the attached letters providing notice of this hearing to  
17 these offsetting affected parties?

18 A. Yes.

19 Q. Were COG Exhibits A B and C prepared by you or  
20 compiled under your direction or supervision?

21 A. Yes.

22 MR. FELDEWERT: Mr. Examiner, I would move the  
23 admission into evidence of COG Exhibits A, B, C and D. D  
24 is the Notice Affidavit.

25 EXAMINER JONES: Exhibits A, B, C and D are

1 admitted in this case.

2 MR. FELDEWERT: That concludes my examination of  
3 this witness. Thank you.

4 MR. BROOKS: No questions.

5 EXAMINER JONES: Okay. Well, I guess if you  
6 stay around here long enough you have to live with what  
7 you did, so that's me in this case.

8 Anyway, I appreciate you coming back in.

9 THE WITNESS: Yes, sir.

10 EXAMINATION

11 BY EXAMINER JONES:

12 Q. The original well that was being proposed to be  
13 drilled on the east half/east half, what happened? How  
14 come it wasn't drilled?

15 A. We prefer to drill two miles and to reduce our  
16 surface footprint in the area, and effectively drain our  
17 productive interval. We wanted to drill a two-mile well  
18 north.

19 EXAMINER JONES: Okay. Well, I have everything  
20 we need in this case. Thanks for being so thorough.  
21 Thanks for coming up.

22 MR. FELDEWERT: Thank you.

23 EXAMINER JONES: Taking case 15310 (re-opened)  
24 under advisement, and we will make it a priority to get it  
25 out as soon as possible.

1 MR. FELDEWERT: Thank you.

2 THE WITNESS: Thank you.

3 (Time noted: 8:55 a.m.)

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1 STATE OF NEW MEXICO )  
2 : SS  
3 COUNTY OF TAOS )  
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico  
7 Reporter CCR No. 122, DO HEREBY CERTIFY that on Thursday,  
8 August 17, 2015, the proceedings in the above-captioned  
9 matter were taken before me; that I did report in  
10 stenographic shorthand the proceedings set forth herein,  
11 and the foregoing pages are a true and correct  
12 transcription to the best of my ability and control.

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

18  
19 \_\_\_\_\_  
20 MARY THERESE MACFARLANE, CCR  
21 NM Certified Court Reporter No. 122  
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