

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

**Meeting Minutes
Regular Meeting
February 28-March 1, 2017
Porter Hall
Wendell Chino Building
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505**

MEMBERS PRESENT:

David R. Catanach	Chair, Oil Conservation Division
Robert Balch	Designee, Energy, Minerals and Natural Resources Department
Patrick Padilla	Designee, New Mexico State Land Commissioner

OTHERS PRESENT:

Cheryl Bada, Counsel for the Commission

This meeting was called to order by Chair Catanach at 9:00 a.m.

Item 1. Roll Call.

Roll was taken; a quorum was present.

Item 2. Approval of Agenda.

Action: Commissioner Balch moved adoption of the agenda. Commissioner Padilla seconded the motion. The motion passed unanimously.

Item 3. Approval of minutes of February 8-10, 2017 meeting.

Action: Commissioner Padilla moved to approve the minutes. Commissioner Balch seconded the motion. The motion passed unanimously.

Item 4. De Novo Case 15441: Application of Nearburg Exploration Company, L.L.C., SRO2 LLC and SRO3 LLC for an accounting and limitation on recovery of well costs, and for cancellation of application for permit to drill, Eddy County, New Mexico
De Novo Case 15481: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico
De Novo Case 15482: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico

Action: These cases were consolidated. Appearances were made by Scott Hall, Sharon Shaheen, and David Harper for Nearburg Exploration Company, LLC, SRO2 LLC and SRO3 LLC (Nearburg) and Michael Feldewert for COG Operating LLC (COG). Mr. Hall made an opening statement to provide the background of the SRO Unit and its termination and to outline the presentation of his case. Mr. Feldewert made an opening statement

outlining the presentation of his case and identifying certain changes to COG's statement of facts.

Nearburg's first witness was Randy Howard, Landman for Nearburg and SRO in Midland, Texas. He explained the conditions in the term agreement which assigned Nearburg's acreage to Marbob as long as the SRO Unit Agreement was in place. He discussed the termination of the unit and attempts made by Nearburg to get well information from COG. He described communication with the Land Office regarding communitization agreements. Mr. Feldewert, Commissioner Padilla, and Chair Catanach cross-examined the witness, and he was excused.

The hearing was recessed at 5:05 p.m.

The hearing was reconvened at 8:35 a.m. on March 1, 2017.

Mr. Feldewert made a motion that the Commission require that Nearburg's engineer's testimony be relevant to the issue before the Commission. He said that testimony regarding whether Nearburg wants to proceed as a working interest or overriding royalty interest has no bearing on the issue at this hearing. Mr. Hall responded and explained what the engineer's testimony would involve. The motion was denied.

Nearburg's witness was Michael Griffin, Petroleum Engineer with Nearburg in Dallas, Texas. He discussed the term assignment that requires that well information be provided to Nearburg. He provided geologic information on the Bone Spring interval. He said that Nearburg is asking for the contraction of the vertical limits of COG's No. 43, No. 44, and No. 16H wells, that COG be removed as operator, and Nearburg be designated the successor operator. Mr. Feldewert, Chair Catanach, Commissioner Balch, and Commissioner Padilla cross-examined the witness, and he was excused.

Because of flight scheduling problems, Mr. Feldewert was allowed to call a witness for COG, Elizabeth David, Legal Specialist with COG in Midland. She identified phone records obtained showing that no phone calls by Nearburg were made to Kelly Fuchik, who is no longer with COG, regarding the termination of the SRO Unit. Mr. Harper cross-examined the witness, and she was excused.

Mr. Feldewert objected to Ryan Owen, Land Supervisor in the Delaware Basin with COG in Midland, being called as a witness for Nearburg since he was not described as a witness in Nearburg's pre-hearing statement, and he is the witness to be called by COG. The Commission unanimously agreed to allow Mr. Owen to be called by Nearburg. He told of well information provided to Nearburg on various COG wells. He discussed the operating agreement of the SRO Unit and efforts to get a communitization agreement from the State Land Office. Mr. Feldewert examined Mr. Owen. He described the efforts to get a communitization agreement signed by Nearburg and of trying to work out the overriding royalty interest assignments for Nearburg. He discussed the corrected term assignment and the appropriateness of a pooling order. Mr. Hall,

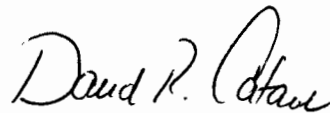
Commissioner Padilla, and Chair Catanach cross-examined the witness, and he was excused.

The Commission requested that draft orders and closing statements be provided to the Commission by April 11, 2017. The Commission will meet on April 25 to deliberate on these cases.

Item 5. Next meeting: April 4, 2017

Item 6. Adjournment.

The meeting was adjourned at 2:50 p.m.

A handwritten signature in cursive script, reading "David R. Catanach".

DAVID R. CATANACH, Chair