

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:

APPLICATION OF COG OPERATING, LLC                      CASE NO. 15830  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF COG OPERATING, LLC                      CASE NO. 15831  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 26, 2017

Santa Fe, New Mexico

BEFORE:   SCOTT DAWSON, CHIEF EXAMINER  
          DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Scott Dawson,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, October 26, 2017, 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 C. Hankins, CCR, RPR  
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APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

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FOR INTERESTED PARTIES ONEENERGY PARTNERS; AND ONEENERGY PARTNERS OPERATING, LLC; ENERGY RESOURCES CORPORATION:

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1 (8:28 a.m.)

2 EXAMINER DAWSON: Moving down the list to  
3 Case Number 15830, which is case number 30 on the list,  
4 and 15831, which is number 31 on the list, these two  
5 cases are consolidated.

6 Call for appearances on these cases.

7 MS. KESSLER: Mr. Examiner, Jordan Kessler,  
8 from the Santa Fe Office of Holland & Hart, representing  
9 the Applicant.

10 MR. HALL: Scott Hall, Montgomery &  
11 Andrews, appearing for OneEnergy Partners and OneEnergy  
12 Partners Operating, LLC, as well as Energy Resources  
13 Corporation. No witnesses.

14 EXAMINER DAWSON: Do you have witnesses,  
15 Ms. Kessler?

16 MS. KESSLER: Two witnesses.

17 EXAMINER DAWSON: Can your witnesses please  
18 stand up and be sworn in by the court reporter?

19 (Mr. Solomon and Ms. Martin sworn.)

20 EXAMINER DAWSON: Case Number 15830 is the  
21 application of COG Operating, LLC for a nonstandard  
22 spacing and proration unit and compulsory pooling, Lea  
23 County, New Mexico.

24 And Case Number 15831 is application of COG  
25 Operating, LLC for a nonstandard spacing and proration

1 unit compulsory pooling in Lea County, New Mexico.

2 Go ahead, Ms. Kessler.

3 MS. KESSLER: Thank you, Mr. Examiner. I'd  
4 ask that these cases be consolidated for hearing  
5 purposes.

6 EXAMINER DAWSON: Okay.

7 MS. KESSLER: If I may proceed with my  
8 first witness.

9 MATT SOLOMON,

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

12 DIRECT EXAMINATION

13 BY MS. KESSLER:

14 **Q. Please state your name for the record and tell**  
15 **the Examiners by whom you're employed and in what**  
16 **capacity?**

17 A. Sure. My name is Matt Solomon. I'm employed  
18 by COG Operating, LLC as a staff landman.

19 **Q. And have you previously testified before the**  
20 **Division?**

21 A. I have not.

22 **Q. Can you please review your educational**  
23 **background?**

24 A. Sure. I have a degree in accounting granted  
25 from Sacramento State. That was in 1994. I have a BS

1 degree in broadcast journalism granted in 1999 from San  
2 Jose State. I have a juris doctorate granted in 2004  
3 from Oklahoma University.

4 **Q. What has your work history been?**

5 A. After getting my J.D., I worked for a broker  
6 for a year running title in a Barnett Shale property.  
7 The client was Chesapeake. I was then hired directly by  
8 Chesapeake and worked for them for three years drilling  
9 wells in the Barnett Shale. Then I went down to Houston  
10 and worked for Hess drilling wells in their Bakken play.  
11 The last six months of my time at Hess, I was working in  
12 the shale and doing work for their secondary recovery  
13 unit in the Permian Basin.

14 **Q. And what is your experience in the Permian**  
15 **Basin?**

16 A. In addition to the work I did at Hess, once I  
17 moved from Houston to Midland, I worked as a broker for  
18 a year running title for various companies in the  
19 Permian Basin and then was hired directly by Concho this  
20 summer, and I've been working the Permian Basin assets  
21 since that time.

22 **Q. Do you have any professional certifications?**

23 A. Yes. I'm a licensed attorney in Oklahoma, and  
24 I'm a CPL, member of the AAPL and the PBLA.

25 **Q. You mention the AAPL and the PBLA. Are those**

1     **the professional associations --**

2           A.     Correct.

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

5           A.     I am.

6           **Q.     And are you familiar with the status of the**  
7 **lands in the subject area?**

8           A.     I am.

9                   MS. KESSLER:  Mr. Examiner, I would tender  
10 Mr. Solomon as an expert in petroleum land matters.

11                   MR. HALL:  No objection.

12                   EXAMINER DAWSON:  No objection?

13                   Mr. Solomon is admitted as an expert in  
14 petroleum land matters.

15           **Q.     (BY MS. KESSLER) Mr. Solomon, can you please**  
16 **explain what COG seeks under these two applications.**

17           A.     Sure.  We are looking for two 320-acre  
18 nonstandard spacing units.

19           **Q.     Are you also seeking to pool the Wolfcamp**  
20 **Formation underlying these two spacing units?**

21           A.     Correct.

22           **Q.     Please turn to Exhibit 1 and identify this**  
23 **exhibit for the Examiners.**

24           A.     Sure.  This is a diagram of the Baseball Cap  
25 24H proration unit/spacing unit.  As you can see, it

1 covers the west half of the east half of Sections 24 and  
2 25 in Township 24 South, Range 34 East.

3 **Q. This is a draft C-102, correct?**

4 A. Correct.

5 **Q. Is there a pool covering this area?**

6 A. It will be the Wolfcamp. At first, we thought  
7 that it would be the Wolfbone, but we subsequently  
8 learned from Paul Kautz that the Wolfbone does not, in  
9 fact, cover these sections in this township.

10 **Q. So Paul Kautz informed you that it would be a**  
11 **wildcat Wolfcamp Pool?**

12 A. Correct.

13 **Q. And a wildcat Wolfcamp Pool would be governed**  
14 **by Division statewide setbacks, correct?**

15 A. Correct.

16 **Q. Will the completed interval for the 24H well**  
17 **comply with those setback requirements?**

18 A. It will.

19 **Q. And what type of lands are within the spacing**  
20 **unit?**

21 A. Federal and fee lands.

22 **Q. Is Exhibit 2 the draft C-102 for the Baseball**  
23 **Cap Federal Com #26H well?**

24 A. It is.

25 **Q. Will you please identify the spacing unit?**

1           A.     Sure.  It is the east half of the west half of  
2     Sections 24 and 25 in Township 24 South, Range 34 East.

3           Q.     And, again, has Mr. Kautz informed you this  
4     will be within a wildcat Wolfcamp Pool?

5           A.     Correct.

6           Q.     And that would be governed by Division  
7     statewide setbacks?

8           A.     It will.

9           Q.     Will the completed interval for the 26H well  
10    comply with those setback requirements?

11          A.     It will.

12          Q.     Is this also comprised of federal and fee land?

13          A.     Fee land.

14          Q.     Just fee land?

15          A.     Correct.

16          Q.     Are there any depth severances within this  
17    pool?

18          A.     There are not.

19          Q.     Is Exhibit 3 a lease tract map for the 24H well  
20    identifying COG's interest and the parties that you seek  
21    to pool for the 24H well?

22          A.     It is.

23          Q.     What type of interest does COG seek to pool?

24          A.     COG seeks to pool unleased mineral interests,  
25    leased interests wherein the lessee has not committed to

1 the well, and it seeks to pool those interests that have  
2 unmarketable title.

3 Q. So working interest owners, unleased mineral  
4 interest owners and for unmarketable title?

5 A. Correct.

6 Q. Are the parties that you seek to pool  
7 highlighted in yellow as to the working interests and  
8 unleased mineral interest owners?

9 A. That is correct.

10 Q. And I see on the fifth page of this exhibit  
11 parties with unmarketable title. Do you seek to pool  
12 all of these interest owners?

13 A. That is correct.

14 Q. Why do you seek to pool for unmarketable title?

15 A. Well, that is the recommendation of our  
16 attorneys who have provided us with title opinions, and,  
17 again, written by attorneys who are licensed to practice  
18 law in the state of New Mexico.

19 Q. Okay. It's -- it's primarily because their  
20 probate -- ancillary probate for estates that have not  
21 been completed in New Mexico?

22 A. Those are 99.9 percent of the issues.

23 Q. Have you identified on this exhibit all -- in  
24 addition to the estates you seek to pool, all of the  
25 known heirs that you have leased?

1 A. Correct.

2 Q. And were they provided notice of this hearing?

3 A. They were.

4 Q. Were they also provided title requirements that  
5 they can fulfill --

6 A. Yes.

7 Q. -- instead of being compulsory pooled?

8 A. Yes.

9 Q. Is Exhibit 4 a lease tract map showing COG's  
10 interest and the parties you seek to pool for the 26H  
11 well?

12 A. It is.

13 Q. And, again, you've highlighted the working  
14 interest owners and the unleased mineral interest owners  
15 that you seek to pool, correct?

16 A. That is correct.

17 Q. And on page 5, parties with unmarketable title,  
18 do you also seek to pool these interests?

19 A. We do.

20 Q. Again, primarily for the reason of ancillary  
21 probate not being completed in New Mexico?

22 A. Correct.

23 Q. And do you identify the -- all known heirs of  
24 the estate?

25 A. Correct.

1 Q. And they were provided notice of this hearing?

2 A. They were.

3 Q. Did you send unmarketable title interest owners  
4 information on how to cure title?

5 A. Yes. We sent them the title requirements, and  
6 we suggested procedure by the attorney to cure the  
7 title -- the title defect.

8 Q. Is an example of this contained in Exhibit 5?

9 A. Yes.

10 Q. And, again, you sent individual title  
11 requirements to each of the interest owners, correct?

12 A. That's correct.

13 Q. Were they all sent on July 28th?

14 A. Yes.

15 Q. What efforts did you undertake to reach an  
16 agreement with the parties that you seek to pool?

17 A. For the working interest owners, we sent them  
18 well proposals, and in that well proposal, there was an  
19 offer to participate in the well. For those that did  
20 not want to participate, there was an offer for them to  
21 assign us the term assignment, their leasehold interest.  
22 For the unleased -- for the -- for the unleased mineral  
23 interest owners, we sent them also a well proposal. If  
24 they did not want to -- to participate in the well, we  
25 sent them an offer to lease their acreage.

1           **Q. Can you please explain why you initially sought**  
2 **to pool the interest of Rolla Hinkle?**

3           A. Yes. Our initial belief was that Rolla Hinkle  
4 owned an unleased mineral interest. Subsequent review  
5 led us to conclude that, in fact, his interest was not  
6 unleased. It was, in fact, covered by his existent  
7 lease with OneEnergy Partners.

8           **Q. And your belief was based on title opinions; is**  
9 **that correct?**

10          A. Correct.

11          **Q. And that title chain turned out to be mistaken?**

12          A. Correct. And we had gotten -- we have gotten  
13 from that attorney a subsequent opinion affirming that,  
14 in fact, once thought unleased mineral interest is, in  
15 fact, leased.

16          **Q. Okay. So you no longer seek to pool the**  
17 **interest of Rolla Hinkle?**

18          A. No, we do not.

19          **Q. What is the status of your negotiations with**  
20 **Energen?**

21          A. The status of our negotiations with Energen,  
22 Energen has contacted us within the past couple of days  
23 letting us know that they intend to participate in the  
24 wells. However, we are still waiting to receive signed  
25 joint operating agreements from them.

1           Q.    And when you do receive those joint operating  
2 agreements, will you notify the Division that their  
3 interest no longer needs to be pooled?

4           A.    Correct.

5           Q.    What is the status of your agreement with  
6 OneEnergy Partners?

7           A.    Yesterday, with OneEnergy, we reached an  
8 agreement whereby both companies signed an acreage  
9 exchange, and in those acreage exchange -- well, along  
10 with those acreage exchange agreements, both companies  
11 signed assignments, assigning to each over certain  
12 lands. What OneEnergy signed to us was all of their  
13 interest in these units.

14          Q.    So they're no longer objecting to these  
15 consolidated applications?

16          A.    That -- we were told that once the deal was  
17 completed, that they would withdraw their objection to  
18 this hearing.

19          Q.    What is Exhibit 6? Is this a copy of the  
20 well-proposal letters that you sent to uncommitted  
21 working interests and also to the unleased mineral  
22 interests for the 24H well?

23          A.    That is correct.

24          Q.    Why is this updated -- marked "Updated"?

25          A.    Right. It's updated because the first

1 proposals that we sent out, that was at the time where  
2 we thought we would be developing the Wolfbone, and it  
3 was subsequent to that that we learned from Paul Kautz  
4 that no, in fact, the Wolfbone -- that the designation  
5 of the Wolfbone does not bleed over into Sections 24 and  
6 25. Hence, it was incorrect for us to be telling  
7 partners that we would be developing the Wolfbone.

8 **Q. So this is corrected to say "Wolfcamp"?**

9 A. Correct.

10 **Q. What date did you sign this letter?**

11 A. July 28th.

12 **Q. And did it include an AFE?**

13 A. Oh, I'm sorry. It did include an AFE, but we  
14 would have sent this out about a month after July 28th.  
15 July 28th was the original date -- the date we sent the  
16 original well proposals. This would have gone out at  
17 the end of August.

18 **Q. So the wells were originally proposed on July**  
19 **28th?**

20 A. Correct. That's the day they were sent.

21 **Q. Is Exhibit 7 a copy of the well-proposal**  
22 **letters that you sent to working interest owners and**  
23 **unleased mineral interest owners for the 26H well?**

24 A. That is correct.

25 **Q. Did it also include an AFE?**

1           A.    Yes.

2           Q.    I understand that various companies have  
3 provided letters of support for this development plan.  
4 Are those letters included as Exhibit 8?

5           A.    They are.

6           Q.    And is Exhibit 9 a copy of the AFE that was  
7 sent with each of the well-proposal letters?

8           A.    It is.

9           Q.    Are the costs on these two AFEs consistent with  
10 what COG has incurred for drilling similar Wolfcamp  
11 wells in the area?

12          A.    They are.

13          Q.    Do the well-proposal letters identify overhead  
14 and administrative costs for drilling and completing  
15 each of those wells?

16          A.    They do.

17          Q.    What are those costs?

18          A.    7,000 and 700.

19          Q.    Are those rates consistent with what other  
20 operators in the area charge for similar wells?

21          A.    They are.

22          Q.    Do you ask that those costs be incorporated  
23 into any order resulting from this hearing?

24          A.    I do.

25          Q.    And for uncommitted interest owners, do you

1 request the Division impose a 200 percent risk penalty?

2 A. I do.

3 Q. Going back to the overhead costs, do you  
4 request that they be adjusted in accordance with the  
5 COPAS accounting procedures?

6 A. We do.

7 Q. Did COG identify the offset operators or  
8 lessees of record in the 40-acre tract surrounding your  
9 proposed nonstandard spacing unit?

10 A. We did.

11 Q. Were they included in the notice of this  
12 hearing?

13 A. Yes.

14 Q. Is Exhibit 10 an affidavit from my office with  
15 attached letters providing notice of intent to pool  
16 the -- and also the offsets for both the 24H well and  
17 the 26H well?

18 A. It is.

19 Q. And are Exhibits 11 and 12 Affidavits of  
20 Publication primarily focused on those unmarketable  
21 title -- including unmarketable title you seek to pool?

22 A. It does.

23 MS. KESSLER: Mr. Examiner, I'd move  
24 admission of -- excuse me.

25 Q. (BY MS. KESSLER) Mr. Solomon, were Exhibits 1

1 through 9 prepared by you or compiled under your  
2 direction and supervision?

3 A. Yes. Yes, they were.

4 MS. KESSLER: Mr. Examiner, I'd move  
5 Exhibits 1 through 12, which include three affidavit  
6 notices.

7 EXAMINER DAWSON: Any objection?

8 MR. HALL: No objection.

9 EXAMINER DAWSON: Okay. Exhibits 1 through  
10 12 will be admitted to the record.

11 (COG Operating, LLC Exhibit Numbers 1  
12 through 12 are offered and admitted into  
13 evidence.)

14 MS. KESSLER: Thank you.

15 EXAMINER DAWSON: Thank you.

16 MR. HALL: I have no questions.

17 EXAMINER DAWSON: No questions.

18 Mr. Brooks?

19 CROSS-EXAMINATION

20 BY EXAMINER BROOKS:

21 Q. The interest owners that you characterize as  
22 having unmarketable title, you said most of them were  
23 cases where the interest is titled to a deceased person?

24 A. That's correct.

25 Q. And there has not been a probate on the estate

1 in New Mexico?

2 A. That's correct.

3 Q. Okay. How did you serve those people with  
4 notice?

5 A. Well, my brokers did the research to find their  
6 last known address and, in addition, where possible,  
7 find the apparent heirs and send a letter addressed to  
8 those heirs.

9 Q. And where you identified heirs, you have also  
10 given notice to them?

11 A. Correct.

12 Q. I say also because I assume you published --  
13 did you publish notice directed to the unknown heirs of  
14 these people or to their estates or however it was  
15 styled?

16 A. Yeah. I mean -- yes. I have not read word for  
17 word --

18 MS. KESSLER: His attorney did,  
19 Mr. Examiner. Yes.

20 Q. (BY EXAMINER BROOKS) You have an exhibit here  
21 that is your publication notice, right?

22 A. Correct.

23 Q. And in the case of -- well, let me then go --  
24 are there any people who actually are identified in the  
25 title that you were unable to locate --

1           A.    Yes.

2           Q.    -- other than the ones that you know are  
3   deceased?

4           A.    Yes.  There were a few.

5           Q.    I would not expect you to locate deceased  
6   people.

7           A.    Yeah.  No.  There were a few that my brokers,  
8   try as they could, could not find any heirs.  But for  
9   the most part, they did.  They even found somebody up in  
10   Canada, in Vancouver, who had changed her name from  
11   Flower Anderson to Fiorenza Albert Howard.  So I have a  
12   lot of confidence in their abilities.

13          Q.    Was this search done under your direction?

14          A.    Yes.  Yeah.

15          Q.    And you're confident that they did a diligent  
16   search to attempt to find -- to locate addresses for  
17   these people?

18          A.    I am amazed at what this particular broker can  
19   find.

20          Q.    Okay.  Thank you.

21                        Now, as to those individuals to whom you  
22   sent notice, I see you have a large stack of receipts  
23   for certified mail and return receipts, copies, in  
24   Exhibit -- attached to Exhibit Number 10.  Are there  
25   people to whom you sent mail notices of whom you did not

1 **get return receipts?**

2 A. Yeah. In some cases, yes.

3 **Q. Okay. Those people -- were those -- did you**  
4 **make a -- did you make an effort to locate alternative**  
5 **addresses for those --**

6 A. Well, let me back up for a second. There were  
7 times where we got receipts back that said  
8 "Undeliverable."

9 **Q. Okay.**

10 A. And when we got those that said  
11 "Undeliverable," yes, I immediately contacted my broker  
12 contacts and said, "Start searching again."

13 **Q. Okay. And were there any for which you were**  
14 **able to locate better addresses?**

15 A. Oh, yeah. Absolutely, like, for example, the  
16 one in Vancouver, Canada.

17 **Q. Okay. That was after you had sent certified**  
18 **mail?**

19 A. Right. Right. First we sent it to Arkansas,  
20 then it came back. And then I said, "Look more into  
21 this." And then they found her in Vancouver, Canada.

22 **Q. She moved a long way.**

23 A. And changed her name.

24 **Q. Okay. Now, I suppose there were some people**  
25 **for whom you never got any kind of certified receipt --**

1 any kind of mail receipt?

2 A. Well, strangely, the only one was OneEnergy.  
3 We never got cards back from OneEnergy.

4 Q. That is strange.

5 A. We had to look it up on the Web site to ensure  
6 that they did get -- that it was received. And, in  
7 fact, they were received August 1st, but we never got  
8 green cards back from OneEnergy.

9 Q. So everybody that you got green cards from --  
10 everybody that you sent mail that you did not get green  
11 cards signed by them, anybody that you sent return --  
12 let's talk about those people to whom you sent return  
13 receipt -- you sent certified mail. Some of them you  
14 got green cards back that either were signed by them or  
15 it appeared that they were signed by a family member or  
16 something.

17 A. Right. Right.

18 Q. And so we can consider those as noticed.

19 The ones that you had problems with the  
20 green cards, you did further searching --

21 A. Yes.

22 Q. -- at another address, if there was one?

23 A. Correct.

24 Q. Now, if you did not find another address, did  
25 you include them in your publication?

1           A.    Yes.  Yes, sir.

2           Q.    Now, does your list of people to be -- to be  
3 noticed include everyone you found in this title as  
4 holding a current interest that they haven't conveyed  
5 away and that is in an instrument of record at the time  
6 you filed this case and that -- well, I think I've --  
7 let me say it over again because I got wound up in it.

8                       Everyone who is named as owning title that  
9 they have not subsequently conveyed of record, who is  
10 named in an instrument conveying title into them that  
11 was of record at the time that you filed this  
12 proceeding --

13          A.    Yes.

14          Q.    -- you included them all?

15          A.    Yes.

16          Q.    And you've also included, I believe you said,  
17 all heirs of deceased persons that you know about?

18          A.    That we could find.

19          Q.    Thank you.  That's all I have.

20                       CROSS-EXAMINATION

21 BY EXAMINER DAWSON:

22          Q.    Mr. Solomon, the only question I have is, on  
23 Exhibit 5, when you sent certified mail to these  
24 interest owners --

25          A.    Uh-huh.

1           **Q.    -- is Concho asking these interest owners to**  
2 **cure their title?**

3           A.    Yeah.  Yes.

4           **Q.    So you're wanting the interest owner to do that**  
5 **on your own?  Concho's not doing that?**

6           A.    Correct.  But -- however, we work with them as  
7 much as we can to help them do that.

8           **Q.    Okay.**

9           A.    I often get calls -- along with these letters,  
10 we send them a copy of the relevant title requirements.

11          **Q.    Okay.**

12          A.    So this person may have been subject to Title  
13 Requirement 32, and they will get a copy of it.  And  
14 they will often call me, and we will talk about it.  And  
15 I will help them, you know, do what they need to do to  
16 get it done.

17          **Q.    Okay.**

18          A.    But, you know, as far as -- in the example of  
19 if they have to do an administrative -- ancillary  
20 probate, you know, it is up to them to find an attorney  
21 who can do that and do that work.

22          **Q.    Okay.  So there is no title opinion that's been**  
23 **done?**

24          A.    Oh, there has -- there is a title opinion.  
25 Yeah.

1           **Q. All right. Do you know when you're planning to**  
2 **drill this well?**

3           A. Yes. On our rig schedule, the rig is scheduled  
4 to be out there between December 21st and December 31st.

5           **Q. Of 2017?**

6           A. Correct.

7           **Q. Okay. I have no more questions. Thank you**  
8 **very much.**

9                           MS. KESSLER: I'll call my next witness.

10                           CARRIE M. MARTIN,  
11                   after having been previously sworn under oath, was  
12                   questioned and testified as follows:

13                           DIRECT EXAMINATION

14 BY MS. KESSLER:

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

18           A. Carrie Martin. I'm employed by COG Operating,  
19 LLC as a geologist.

20           **Q. Have you previously testified before the**  
21 **Division?**

22           A. Yes.

23           **Q. Were your credentials as a petroleum geologist**  
24 **accepted and made a matter of record?**

25           A. Yes.

1           **Q.    Are you familiar with the applications filed in**  
2 **these consolidated cases?**

3           A.    Yes.

4           **Q.    And have you conducted a geologic study of the**  
5 **lands that are the subject of this hearing?**

6           A.    Yes.

7                       MS. KESSLER:  Mr. Examiners, I would tender  
8 Ms. Martin as an expert in petroleum geology.

9                       EXAMINER DAWSON:  Any objection?

10                      MR. HALL:  No objection.

11                      EXAMINER DAWSON:  Ms. Martin will be  
12 admitted as an expert in petroleum geology.

13           **Q.    (BY MS. KESSLER) Ms. Martin, what is the**  
14 **targeted interval for these two wells?**

15           A.    The Upper Wolfcamp.

16           **Q.    Have you brought a structure map and cross**  
17 **section for the targeted interval?**

18           A.    Yes.

19           **Q.    Can you please turn to Exhibit 13 and identify**  
20 **this exhibit for the Examiners?**

21           A.    This is a location map for the Baseball Cap Fed  
22 Com #26H and the Baseball Cap #24H.  Those are shown as  
23 red-dashed lines on the map.  The red solid lines are  
24 existing Wolfcamp wells in the area, and the yellow  
25 polygon is the two proposed spacing units for these

1 wells.

2 Q. Is Exhibit 14 a structure map of the Wolfcamp  
3 in this area?

4 A. Yes, it is.

5 Q. Would you please review this for the Examiners?

6 A. This map shows the structure map on the top of  
7 the Wolfcamp Formation. The contour interval is 100  
8 feet. The structure map shows there is no faulting in  
9 the area. The wells are going to be drilled from going  
10 updip, and the dip in the area is less than 2 degrees.

11 Q. And based on your review of this area, have you  
12 identified any geologic hazards within the spacing unit?

13 A. Yeah. There are no geologic -- no faulting  
14 within the proposed spacing units.

15 Q. Is Exhibit 15 a map of this area with the line  
16 of section drawn on it?

17 A. Yes. The cross section A to A prime is from  
18 the southwest to the northeast, shown as the purple line  
19 on the map.

20 Q. You used three wells for this cross-section  
21 exhibit?

22 A. Yes. And the three wells that were chosen are  
23 representative of the geology in the area.

24 Q. Exhibit 16, is this a cross-section exhibit  
25 showing three wells depicted on Exhibit 15?

1           A.    Yes.  This cross section shows the interval,  
2   the Upper Wolfcamp Formation.  The solid red line is the  
3   top of the Wolfcamp.  The cross section is flattened on  
4   the top of the Wolfcamp.  The target window is shown as  
5   the bracket on the map, and the target is the Upper  
6   Wolfcamp Shale.  The cross section shows that the  
7   geology is consistent across the area.  The thickness is  
8   also consistent across the area from southwest to  
9   northeast, and the proposed nonstandard unit will  
10  contribute equally for both sections.

11           **Q.    So there is no significant variation that you**  
12 **can tell on the formation between the two sections?**

13           A.    Correct.

14           **Q.    What conclusions have you drawn based on your**  
15 **study of this area?**

16           A.    That there is no geological impediments to  
17  developing this area with two-mile horizontal wells.  
18  The area can be efficiently and economically developed  
19  by horizontal wells, and the proposed nonstandard unit  
20  will, on average, contribute more or less equally to the  
21  production of these wells.

22           **Q.    In your opinion, will COG's applications be in**  
23 **the best interest of conservation, for the prevention of**  
24 **waste and the protection of correlative rights?**

25           A.    Yes.

1           **Q.    Were Exhibits 13 through 16 prepared by you or**  
2 **compiled under your direction and supervision?**

3           A.    Yes.

4                   MS. KESSLER:  Mr. Examiner, I move  
5 admission of Exhibits 13 through 16.

6                   EXAMINER DAWSON:  Any objection?

7                   MR. HALL:  No objection.

8                   EXAMINER DAWSON:  Exhibits 13 through 16  
9 will be admitted to the record.

10                   (COG Operating, LLC Exhibit Numbers 13  
11 through 16 are offered and admitted into  
12 evidence.)

13                   EXAMINER DAWSON:  Mr. Hall, do you have  
14 questions?

15                   MR. HALL:  I do not.

16                   EXAMINER DAWSON:  Mr. Brooks, do you have  
17 questions?

18                   EXAMINER BROOKS:  No questions.

19                                   CROSS-EXAMINATION

20 BY EXAMINER DAWSON:

21           **Q.    I have a few questions, Ms. Martin.  Some of**  
22 **these other wells, the wells depicted in your cross**  
23 **section A to A prime --**

24           A.    Uh-huh.

25           **Q.    -- it appears that those two wells, the one on**

1 the left and the one of the right, which would be the  
2 wells to the south-southwest and east of the proposed --  
3 proposed two wells that you're planning on drilling,  
4 were those dry holes? Those look like dry-hole symbols  
5 on those wells. Are those old wells --

6 A. Those are old wells.

7 Q. -- old breaker wells?

8 A. They are probably P&A'd. They are old Morrow,  
9 Strawn, Atoka wells.

10 Q. All right.

11 A. I think those are gas symbols, actually.

12 Q. Okay. So neither of those -- none of those  
13 wells in the cross section on Exhibit Number 16 were  
14 perforating the Wolfcamp?

15 A. The Telecaster Bass 36 State 4H is the pilot  
16 hole for the horizontal well on the first map, which is  
17 perforated in the Wolfcamp Sand.

18 Q. Okay. So that well is not producing at this  
19 time?

20 A. It is producing. The horizontal well is  
21 producing. However, the pilot hole is not.

22 Q. Okay. So is that -- do you have an idea how  
23 much that well has produced or what the production is on  
24 that well?

25 A. I don't have that at my fingertips, but it is

1 an economic well. It has produced enough to be an  
2 economic well.

3 Q. So in your mind, all the wells that have been  
4 drilled in the vicinity, the horizontal wells that have  
5 been drilled in the Upper Wolfcamp, are domestic wells?

6 A. Yes, they are.

7 Q. Okay. That's all the questions I have. Thank  
8 you.

9 MS. KESSLER: Thank you.

10 EXAMINER DAWSON: Does that conclude your  
11 witnesses?

12 MS. KESSLER: Yes.

13 EXAMINER DAWSON: Anything else, Mr. Hall?

14 MR. HALL: So, Mr. Examiner, my job today  
15 on behalf of Energen is to affirm that they are  
16 participating in these two wells and, on behalf of  
17 OneEnergy Partners, to affirm that they have effected an  
18 acreage trade with COG, and they are withdrawing the  
19 protest.

20 EXAMINER DAWSON: Okay. So all the  
21 protests and everything have been negotiated --

22 MR. HALL: Yes.

23 EXAMINER DAWSON: -- with Holland & Hart --  
24 or with COG?

25 MR. HALL: Between the parties, yes.

1 EXAMINER DAWSON: All right.

2 Do you have any questions, Mr. Brooks?

3 MR. BROOKS: No questions.

4 EXAMINER DAWSON: Okay. Thank you very  
5 much.

6 So Case Numbers 15830 and 15831 will be  
7 taken under advisement at this time.

8 (Case Numbers 15830 and 15831 conclude,  
9 9:01 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

20

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MARY C. HANKINS, CCR, RPR  
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