

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. 15857
FOR A NONSTANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY 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:

GARY W. LARSON, ESQ.
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EXHIBITS OFFERED AND ADMITTED

COG Operating, LLC Exhibit Numbers 1 through 9	11
COG Operating, LLC Exhibit Numbers 10, 11 and 12	18

1 (9:41 a.m.)

2 EXAMINER DAWSON: So now we will go down to
3 Case Number 15857, which is number one on the list. And
4 it's the application of COG Operating, LLC for a
5 nonstandard oil spacing and proration unit and
6 compulsory pooling in Eddy County, New Mexico.

7 Please call for appearances.

8 MR. LARSON: Good morning, Mr. Examiner.
9 Gary Larson, of the Santa Fe office of Hinkle Shanor,
10 for the Applicant, COG Operating. I have two witnesses.

11 EXAMINER DAWSON: Can your two witnesses
12 please stand and be sworn in by the court reporter at
13 this time?

14 (Ms. Roush and Mr. Fisher sworn.)

15 EXAMINER DAWSON: Go ahead, Mr. Larson,
16 when you're ready.

17 There is no opposition to this case?

18 MR. LARSON: Not that I'm aware of.

19 ASHLEY ROUSH,
20 after having been first duly sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. LARSON:

24 Q. Good morning, Ms. Roush.

25 A. Good morning.

1 Q. Would you state your name for the record?

2 A. Ashley Roush.

3 Q. Where do you reside?

4 A. Midland, Texas.

5 Q. Where are you employed and in what capacity?

6 A. COG Operating, LLC as a landman.

7 Q. And what area do your responsibilities include
8 as a landman?

9 A. Eddy County, New Mexico.

10 Q. And are you familiar with the land matters
11 pertaining to COG's application in this case?

12 A. Yes, I am.

13 Q. Have you previously testified at a Division
14 hearing?

15 A. Yes, I have.

16 Q. At each of those hearings, did the Examiner
17 accept your qualifications as an expert in petroleum
18 land matters?

19 A. Yes.

20 MR. LARSON: Mr. Examiner, I tender
21 Ms. Roush as an expert in petroleum land matters.

22 EXAMINER DAWSON: Ms. Roush will be
23 accepted as an expert in petroleum land matters.

24 Q. (BY MR. LARSON) Ms. Roush, would you identify
25 the document marked as Exhibit 1?

1 A. This is the C-102 for the Copperhead 31 Fee 20H
2 well.

3 Q. That's a mouthful. How about if we refer to it
4 as the 20H?

5 A. That's fine.

6 Q. Is Exhibit 1 a true and correct copy of
7 the C-102 for the #20H well?

8 A. Yes, it is.

9 Q. What formation is COG seeking to pool?

10 A. The Wolfcamp Formation.

11 Q. Are there any depth severances in the Wolfcamp?

12 A. No.

13 Q. What pool will the proposed well produce from?

14 A. The Purple Sage; Wolfcamp.

15 Q. Do you know the pool code?

16 A. Yes, sir. It's 98220.

17 Q. And looking at -- the C-102 is the dashed area
18 of the proposed project area?

19 A. Yes, it is.

20 Q. And looking at that project area, it does
21 include the northwest quarter-northwest quarter of
22 Section 9; is that correct?

23 A. That is correct.

24 Q. Would you next identify the document marked as
25 Exhibit 2?

1 A. Exhibit 2 is a map of the Wolfcamp D wells in
2 the area.

3 Q. And is the dashed line the 20H well, which is
4 the subject of the application?

5 A. Yes, it is.

6 Q. And was this exhibit prepared by Mr. Fisher who
7 will be providing geology testimony?

8 A. Yes, it was.

9 Q. And it appears that COG already has a producing
10 Wolfcamp well in the west half of Section 30; is that
11 correct?

12 A. Yes.

13 Q. And does COG have a previously approved project
14 area in the west half of Section 30?

15 A. Yes.

16 Q. And given that, why isn't COG drilling the 20H
17 well as an infill in the previously approved project
18 area?

19 A. We are extending our lateral into Section 19 to
20 save expiring leaseholds.

21 Q. And is that fee lease called in Section 19?

22 A. Yes. It's Section 19.

23 Q. Would you identify the document marked as
24 Exhibit 3?

25 A. This is a plat showing the proration unit for

1 the wells, and it lists the ownership by tracts for the
2 unit. And I've highlighted the parties that we seek to
3 pool.

4 Q. And did you prepare this document?

5 A. Yes, I did.

6 Q. And does COG and its affiliates have working
7 interests within each quarter-quarter section of the
8 proposed project area?

9 A. Yes, we do.

10 Q. Would you identify the document marked as
11 Exhibit 4?

12 A. This is the well proposal, along with the green
13 cards.

14 Q. And did you prepare and sign the well-proposal
15 letters?

16 A. Yes, I did.

17 Q. And was a proposal letter sent to each of the
18 interests identified in Exhibit 4?

19 A. Yes.

20 Q. And did they all receive your well-proposal
21 letter?

22 A. Yes, they did.

23 Q. And have after you sent those letters, have you
24 communicated with all of the interest owners?

25 A. Yes, through email and various conversations.

1 **Q. And what's been the outcome of those**
2 **communications?**

3 A. Everybody has participated in the well, and we
4 are currently working on an OA.

5 **Q. You have yet to receive signed copies of the --**

6 A. Yes. No signatures from any party.

7 **Q. At the point you do, you will notify the OCD of**
8 **that fact?**

9 A. Yes.

10 **Q. Would you next identify the document marked as**
11 **Exhibit 5?**

12 A. This is the notice letter we sent to the
13 uncommitted working interest owners and the green cards.

14 **Q. The notice of the today's hearing?**

15 A. Yes.

16 **Q. And was the hearing letter sent to each of the**
17 **uncommitted interests identified in Exhibit 3 under your**
18 **direction and supervision?**

19 A. Yes.

20 **Q. Would you next identify the document marked as**
21 **Exhibit 6?**

22 A. This is a map showing the proration unit and
23 the offset owners.

24 **Q. And did you prepare this document?**

25 A. Yes, I did.

1 Q. Would you next identify the document marked as
2 Exhibit 7?

3 A. This is the hearing notice we sent to the
4 offset owners and the green cards.

5 Q. And was a hearing notice letter sent to each of
6 the offset interests identified in Exhibit 6 under your
7 direction and supervision?

8 A. Yes.

9 Q. And were return green cards received for all of
10 the offset interests' letters?

11 A. Yes.

12 Q. And I'll direct your attention to the second,
13 third and fifth pages of Exhibit 7, and you'll note
14 there are certified mails receipts rather than green
15 cards. Are these receipts for parties that are not
16 uncommitted interests in this case?

17 A. Yes.

18 Q. So those were entered -- inadvertently included
19 in this exhibit?

20 A. Yes, sir.

21 Q. Did COG publish notice of today's hearing?

22 A. Yes. We published notice on October 10th in
23 the "Carlsbad Current-Argus."

24 Q. Would you identify the exhibit marked as
25 Exhibit 8?

1 A. This is the Affidavit of Publication.

2 Q. And is it a true and correct copy?

3 A. Yes, it is.

4 Q. Would you next identify the document marked as
5 Exhibit 9?

6 A. This is our AFE.

7 Q. And is it a true and correct copy of the AFE
8 you sent with the well-proposal letters?

9 A. Yes, it is.

10 Q. What is the total estimated well costs
11 indicated on the AFE?

12 A. \$13,205,800.

13 Q. Are those well costs consistent with costs
14 incurred by COG for similar Wolfcamp horizontal wells?

15 A. Yes.

16 Q. And do you have a recommendation for the amount
17 COG should be paid for supervision and administrative
18 expenses?

19 A. 7,000 for drilling, 700 for production.

20 Q. And are those amounts consistent with and
21 similar to those charged by COG for other Wolfcamp
22 horizontals?

23 A. Yes, they are.

24 Q. And are they the same as the expenses set out
25 in the JOAs?

1 A. Yes.

2 Q. Do you also recommend that the rates for
3 supervision and administrative expenses be adjusted
4 periodically pursuant to COPAS?

5 A. Yes.

6 Q. And is COG also requesting a 200 percent charge
7 for the risk of drilling and completing the 20H well?

8 A. Yes.

9 Q. In your opinion, will the granting of COG's
10 application avoid the drilling of unnecessary wells,
11 protect correlative rights and serve the interests of
12 conservation and the prevention of waste?

13 A. Yes.

14 MR. LARSON: Mr. Examiner, move the
15 admission of Exhibits 1 through 9.

16 EXAMINER DAWSON: Exhibits 1 through 9 will
17 be admitted to the record at this time.

18 (COG Operating, LLC Exhibit Numbers 1
19 through 9 are offered and admitted into
20 evidence.)

21 MR. LARSON: And I will pass the witness.

22 EXAMINER DAWSON: Mr. Brooks, do you have
23 any questions?

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CROSS-EXAMINATION

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BY EXAMINER BROOKS:

Q. I believe Gary covered it pretty well, but -- let's see. The people listed on Exhibit 3 are the people that are being compulsory pooled?

A. Yes, sir.

Q. Did you get green cards from all of them?

A. Yes, sir.

Q. So the notice by publication was merely in case you didn't, but you actually did?

A. Yes, sir.

Q. Okay. Thank you.

And this northwest-northwest of 19 that's omitted, that looked to me like -- I saw something on one of the exhibits. I understand that is unleased federal minerals?

A. Yes, sir, it is.

Q. Thank you.

CROSS-EXAMINATION

BY EXAMINER DAWSON:

Q. So the -- the interest owners that are depicted on Exhibit 3 in yellow, you have come to agreement with all of them?

A. They have elected to participate. We haven't received their operating agreement signatures.

1 Q. Okay. When do you plan on spudding this well?

2 A. I believe it spuds the 31st of this month.

3 Q. Okay. And do you know if COG has plans to
4 lease that northwest quarter of Section 19?

5 A. We've nominated it in the past I think three
6 times, and it hasn't been put on the lease sale. And so
7 yeah, we would like to in the future, I assume, but it
8 just hasn't ever been put on there when we've nominated
9 it.

10 Q. That's all the questions I have. Thank you
11 very much.

12 MR. LARSON: I just have one follow-up
13 question.

14 EXAMINER DAWSON: Okay.

15 REDIRECT EXAMINATION

16 BY MR. LARSON:

17 Q. Okay. Looking at Exhibit 2, is Section 18 also
18 unleased federal mineral interests?

19 A. Yes, it is.

20 Q. Would COG nominate that given the opportunity?

21 A. If our technical team is in agreement, yes,
22 sir.

23 Q. Okay. That's all I have.

24 EXAMINER DAWSON: Thank you, Mr. Larson.

25 Thank you, Ms. Roush.

1 THE WITNESS: Thank you.

2 EXAMINER DAWSON: You can call your next
3 witness now, Mr. Larson.

4 MATT FISHER,
5 after having been previously sworn under oath, was
6 questioned and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. LARSON:

9 Q. Good morning, Mr. Fisher.

10 A. Good morning.

11 Q. Would you state your full name for the record?

12 A. Matt Fisher.

13 Q. And where do you reside?

14 A. Midland, Texas.

15 Q. And by whom are you employed and in what
16 capacity?

17 A. COG Operating. I'm a geologist.

18 Q. And what is the focus of your responsibilities
19 as a geologist?

20 A. I'm a geologist in the Northern Delaware Basin.

21 Q. And are you familiar with the geologic aspects
22 of the proposed 20H well and the matters addressed in
23 COG's application?

24 A. I am.

25 Q. Have you previously testified at a Division

1 hearing?

2 A. I have.

3 Q. At each of those hearings, did the Examiner
4 accept your qualifications as an expert in petroleum
5 geology?

6 A. Yes.

7 MR. LARSON: Mr. Examiner, I tender
8 Mr. Fisher as an expert in petroleum geology.

9 EXAMINER DAWSON: Mr. Fisher is accepted as
10 an expert in petroleum geology.

11 Q. (BY MR. LARSON) I direct your attention to
12 Exhibit 2. Will the completed interval of the 20H well
13 comply with Division setback retirements?

14 A. Yes, it will.

15 Q. And are the other wells shown on Exhibit 2
16 operated by COG?

17 A. All of them except the wells in Sections 12,
18 14, 26 and 29. Those are both Mewbourne wells.

19 Q. And all the rest are COG wells?

20 A. Yes, sir.

21 Q. Now, are all of the offset COG wells Wolfcamp D
22 wells?

23 A. They are.

24 Q. And have they been productive?

25 A. They have.

1 **Q. Would you identify the document marked as**
2 **Exhibit 10?**

3 A. Okay.

4 **Q. Identify it for the record.**

5 A. This is a structure map of the Wolfcamp D.
6 It's -- the contour intervals are each 50 feet, and this
7 is in subsea.

8 **Q. Did you prepare this document?**

9 A. I did.

10 **Q. And what role did your structure map have in**
11 **your geological analysis for the prospects for the 20H**
12 **well?**

13 A. That the well be drilled approximately along
14 strike, and there are no faults or geologic hazards in
15 drilling this well.

16 **Q. Would you next identify the document marked as**
17 **Exhibit 11?**

18 A. This is a locator map just to show the cross
19 section, which is on the next exhibit, going from A to A
20 prime. That's shown by the green line.

21 **Q. Did you also prepare this document?**

22 A. I did.

23 **Q. And would you identify the final exhibit, which**
24 **is Number 12?**

25 A. Okay. This is the cross section, that was

1 identified on the previous exhibit, going from A to A
2 prime, left to right. There are three tracks. On the
3 left is the gamma ray in black. The green is
4 resistivity. And in red, on the right, is density, and
5 then in blue is neutron. This is hung on the top of the
6 Wolfcamp D. And on the left side, you can see the
7 approximate location of where the lateral will be
8 landed.

9 Q. And did you prepare Exhibit 12?

10 A. I did.

11 Q. And what does this exhibit tell you about the
12 target interval?

13 A. That the target interval in the Wolfcamp D will
14 be continuous going across the wellbore.

15 Q. In your opinion, will the proposed 20H well be
16 productive along the entire length of the completed
17 lateral?

18 A. Yes, it will.

19 Q. In your opinion, will the production be
20 reasonably uniform across the entire length of the
21 lateral?

22 A. Yes.

23 Q. And in your opinion, will the granting of COG's
24 application avoid the drilling of unnecessary wells,
25 protect correlative rights and serve the interest of

1 **conservation and the prevention of waste?**

2 A. Yes.

3 MR. LARSON: Mr. Examiner, I move the
4 admission of Exhibits 10 through 12.

5 EXAMINER DAWSON: Exhibits 10 through 12
6 will be admitted to the record at this time.

7 (COG Operating, LLC Exhibit Numbers 10, 11
8 and 12 are offered and admitted into
9 evidence.)

10 MR. LARSON: And I'll pass the witness.

11 EXAMINER DAWSON: Thank you.

12 Mr. Brooks, do you have any questions?

13 EXAMINER BROOKS: No questions.

14 CROSS-EXAMINATION

15 BY EXAMINER DAWSON:

16 **Q. I just have a few questions, Mr. Fisher. This**
17 **is a two-and-a-quarter-mile lateral?**

18 A. Two miles.

19 **Q. Two-mile?**

20 A. Yes, sir. Roughly two miles.

21 **Q. Yeah. Okay.**

22 **Has COG been drilling two-mile laterals out**
23 **here, or is this kind of a new --**

24 A. No. We have been drilling two-mile laterals.

25 **Q. They're working out better for you than the**

1 **one-mile laterals?**

2 A. Yes, sir.

3 **Q. And those other Wolfcamp wells that COG has**
4 **drilled in the vicinity, they're all economic?**

5 A. Yes, sir, they are.

6 **Q. Okay. That's all the questions I have. Thank**
7 **you very much, Mr. Fisher.**

8 MR. LARSON: I have nothing further,
9 Mr. Examiner.

10 EXAMINER DAWSON: Okay. At this time Case
11 Number 15857 will be taken under advisement.

12 Thank you very much.

13 (Case Number 15857 concludes, 9:57 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
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25