

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. 15880
FOR A NONSTANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY
LEA, POOLING COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 30, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, November 30, 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
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102
 (505) 843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

GARY W. LARSON, ESQ.
HINKLE SHANOR, LLP
218 Montezuma Avenue
Santa Fe, New Mexico 87501
(505) 982-4554
glarson@hinklelawfirm.com

FOR INTERESTED PARTY OCCIDENTAL PERMIAN LIMITED
PARTNERSHIP:

DALVA L. MOELLENBERG, ESQ.
GALLAGHER & KENNEDY, P.A.
1239 Paseo de Peralta
Santa Fe, New Mexico 87501-2758
(505) 982-9523
dlm@gknet.com

1	INDEX	
2		PAGE
3	Case Number 15880 Called	4
4	COG Operating, LLC's Case-in-Chief:	
5	Witnesses:	
6	Luke Bedrick:	
7	Direct Examination by Mr. Larson	4
	Cross-Examination by Examiner Brooks	11
8	Cross-Examination by Examiner Jones	11
9	Johnny R. Bertalott:	
10	Direct Examination by Mr. Larson	11
	Cross-Examination by Examiner Jones	15
11		
12	Proceedings Conclude	^
13	Certificate of Court Reporter	^
14		
15		
16	EXHIBITS OFFERED AND ADMITTED	
17	COG Operating, LLC Exhibit Numbers 1 through 8	10
18	COG Operating, LLC Exhibit Numbers 9 through 12	15
19		
20		
21		
22		
23		
24		
25		

1 (2:45 p.m.)

2 EXAMINER JONES: Call Case Number 15880,
3 application of COG Operating, LLC for a nonstandard oil
4 spacing and proration unit and compulsory pooling, Lea
5 County, New Mexico.

6 Call for appearances.

7 MR. LARSON: Good afternoon, Mr. Examiner.
8 Gary Larson, from the Santa Fe office of Hinkle Shanor,
9 on behalf of COG Operating.

10 MR. MOELLENBERG: Dalva Moellenberg for
11 Occidental Permian.

12 EXAMINER JONES: Same witnesses?

13 MR. LARSON: (Indicating.)

14 EXAMINER JONES: Let the record show the
15 witnesses have been sworn and qualified in Case Number
16 15878.

17 LUKE BEDRICK,
18 after having been previously sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. LARSON:

22 Q. Good afternoon once again, Mr. Bedrick.

23 A. Good afternoon.

24 Q. Would you identify the document marked as
25 Exhibit 1?

1 A. This is the Form C-102 for the Tigercat Federal
2 Com 3H well depicting a 160-acre project area comprised
3 of the east half-west half of Section 8, Township 26
4 South, Range 33 East.

5 **Q. And is Exhibit 1 a true and correct copy of the**
6 **C-102 for the #3H well?**

7 A. Yes, it is.

8 **Q. And what formation is COG seeking to pool?**

9 A. The Bone Spring Formation.

10 **Q. And are there any depth exceptions in the Bone**
11 **Spring?**

12 A. No.

13 **Q. Would you identify the document marked as**
14 **Exhibit 2?**

15 A. Yes. This is a map depicting the project area
16 outlined in red and showing the interest owners and
17 their respective percentages.

18 **Q. Are those are highlighted in yellow?**

19 A. Yes. The uncommitted working interest owners
20 are highlighted in yellow.

21 **Q. Did you create this document?**

22 A. Yes, I did.

23 **Q. What is the nature of the lands within the**
24 **proposed project area?**

25 A. Tract 1 is fee minerals. Tracts 2 and 3 are

1 federal minerals.

2 Q. And so when we look at the three boxes at the
3 bottom of the column on the left-hand side, the record
4 title owners in Tract 1 are fee owners --

5 A. Yes.

6 Q. -- of record?

7 A. Yes.

8 Q. And the other two are federal lessees?

9 A. Yes.

10 Q. The other two tracts, I should say.

11 And does Exhibit 2 identify all of the
12 interests that were uncommitted when COG filed its
13 application?

14 A. Yes, it does, those parties highlighted in
15 yellow.

16 Q. Would you identify the document marked as
17 Exhibit 3?

18 A. This is a copy of the well-proposal letter for
19 the Tigercat Federal Com 3H, dated September 18th, 2017,
20 which was sent to all the working owners and includes
21 the signed green cards.

22 Q. And did you prepare and send all of the
23 well-proposal letters?

24 A. Yes.

25 Q. And after you sent the well-proposal letters,

1 did you follow up with the uncommitted working interest
2 owners?

3 A. Yes, we did.

4 Q. And has COG reached an agreement with
5 Occidental Permian L.P.?

6 A. Yes, we have.

7 Q. Have any of the other interests identified in
8 Exhibit 2 committed to joining the well?

9 A. Yes, RSC Resources and Sagebrush Interest.

10 Q. In your opinion, has COG made a good-faith
11 effort to obtain the voluntary joinder of all the
12 uncommitted interests identified in Exhibit 2?

13 A. Yes.

14 Q. Would you identify the document marked as
15 Exhibit 4?

16 A. Yes. This is a sample of the hearing notice
17 letter which was sent to the uncommitted interest
18 owners.

19 Q. And were the notice letters sent at your
20 direction?

21 A. Yes.

22 Q. And was a notice letter sent to each of the
23 uncommitted interests identified in Exhibit 2?

24 A. Yes.

25 Q. Would you identify the document marked as

1 **Exhibit 5?**

2 A. This is a list of the offset owners to the
3 spacing unit.

4 **Q. Also operators and unleased mineral interests?**

5 A. Yes.

6 **Q. And did you prepare Exhibit 5?**

7 A. Yes.

8 **Q. Would you identify the document marked as**
9 **Exhibit 6?**

10 A. This is a sample hearing notice letter that was
11 sent to all the offset owners.

12 **Q. And were the notice letters sent at your**
13 **direction to all of the offset interests identified in**
14 **Exhibit 5?**

15 A. Yes, they were.

16 **Q. And did COG have good addresses for all of the**
17 **offset interests?**

18 A. Yes.

19 **Q. Did COG also publish a notice that individually**
20 **identifies the interests identified in Exhibits 2 and 5?**

21 A. Yes. Notice was published in the "Hobbs
22 News-Sun" dated November 9th, 2017.

23 **Q. Would you identify the document marked as**
24 **Exhibit 7?**

25 A. Yes. This is a copy of the Affidavit of

1 Publication from the "Hobbs News-Sun."

2 Q. Is it a true and correct copy of that
3 affidavit?

4 A. Yes.

5 Q. Would you identify the document marked as COG
6 Exhibit 8?

7 A. Yes. This is a copy of COG Operating's AFE for
8 the Tigercat Federal Com 3H.

9 Q. And is this the same AFE that was sent to all
10 of the -- with all of the well-proposal letters?

11 A. Yes, it is.

12 Q. What are the total estimated well costs noted
13 on the AFE?

14 A. \$7,948,100.

15 Q. And are those costs similar to costs incurred
16 by COG for other one-mile Wolfcamp horizontal wells?

17 A. Yes.

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

21 A. Yes, \$7,000 a month while drilling, \$700 a
22 month while well is producing.

23 Q. And are those amounts consistent with and
24 similar to those charged by COG for other one-mile
25 Wolfcamp horizontals?

1 A. Yes.

2 Q. And do you also recommend that those rates be
3 adjusted periodically pursuant to the COPAS accounting
4 procedure?

5 A. Yes.

6 Q. Is COG requesting a 200 percent charge for the
7 risk of drilling and completing the Tigercat #3H well?

8 A. Yes.

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

13 A. Yes.

14 MR. LARSON: Mr. Examiner, I move the
15 admission of Exhibits 1 through 8.

16 MR. MOELLENBERG: No objections.

17 EXAMINER JONES: Exhibits 1 through 8 are
18 admitted.

19 (COG Operating, LLC Exhibit Number 1
20 through 8 are offered and admitted into
21 evidence.)

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

23 MR. MOELLENBERG: No questions.

24 EXAMINER BROOKS: No questions -- oh, well,
25 I guess I better ask this, but I think it's fairly

1 clear.

2 CROSS-EXAMINATION

3 BY EXAMINER BROOKS:

4 Q. There are no interest owners listed on Exhibit
5 2 here that were not listed in the prior two cases,
6 correct?

7 A. That's correct.

8 Q. Okay. That's fine. No other questions.

9 CROSS-EXAMINATION

10 BY EXAMINER JONES:

11 Q. I was going to ask about the -- your surface
12 location is going to be in another facility over in C;
13 is that correct? You've already got an agreement with
14 the owners there --

15 A. Yes.

16 Q. -- in C?

17 Okay. Thank you very much.

18 A. Thank you.

19 JOHNNY R. BERTALOTT,

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 afternoon, Mr. Bertalott.

25 A. Good afternoon.

1 MR. LARSON: Mr. Examiner, can the record
2 reflect that Mr. Bertalott was sworn and qualified in
3 Case 15878?

4 EXAMINER JONES: Yes. Mr. Bertalott is
5 qualified, as he was in Case Number 15878.

6 MR. LARSON: Thank you.

7 Q. (BY MR. LARSON) Would you identify the document
8 marked as Exhibit 9?

9 A. Exhibit 9 is a location map. The yellow
10 highlighted area is the acreage we are seeking to pool.
11 The pink, dashed line is the location of the Tigercat
12 Fed Com 3H, surface location highlighted by the solid
13 pink circle at the northern part of Section 8. The well
14 will be drilled north-to-south orientation.

15 Q. And did you prepare this exhibit?

16 A. Yes, sir, I did.

17 Q. And will the completed interval of the Tigercat
18 #3H well comply with the Division setback requirements?

19 A. Yes, it will.

20 Q. Were you involved with COG's evaluation of the
21 prospects for the #3 well?

22 A. Yes, I was.

23 Q. And did you -- are there any one-mile Wolfcamp
24 horizontals in the vicinity that you looked at?

25 A. Yes, sir. It's not depicted on the map, but in

1 the east half of Section 17, COG has several one-mile
2 Wolfcamp wells that have already been completed and
3 produce.

4 **Q. Have those wells been productive?**

5 A. Yes, sir.

6 **Q. Would you identify the document marked as**
7 **Exhibit 10?**

8 A. Exhibit 10 is the location map with the --
9 highlighted with the acres to be pooled in yellow. It
10 is a subsea structure map on the top of the Wolfcamp.
11 Once again, there is no structural complexity in the
12 area, and we will be drilling slightly downdip from
13 north to south.

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

15 A. Yes, sir, I did.

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

18 A. Exhibit 11 is the location map with cross
19 section, A to A prime, showing the location of three
20 wells that are representative of the area and where they
21 are with respect to the Tigercat 3H.

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

23 A. Yes, sir, I did.

24 **Q. And what is your map intended to depict?**

25 A. To show the location of three wells that have

1 been picked out that are representative of the interval
2 of interest, and they will be going from north to south
3 on the next --

4 **Q. That's our segue to the final exhibit, which is**
5 **Number 12?**

6 A. Yes, sir. So A to A prime is north to south,
7 left to right on your exhibit. It's a stratigraphic
8 cross section. The datum is the top of the interval of
9 interest. I have highlighted the lateral interval of
10 interest, and the lateral interval is consistent across
11 the area.

12 **Q. And did you prepare Exhibit 12?**

13 A. Yes, sir, I did.

14 **Q. And is the cross section representative of the**
15 **geology in the target interval?**

16 A. It is.

17 **Q. Are there any geologic impediments in the**
18 **interval?**

19 A. No, sir.

20 **Q. In your opinion, will production from the**
21 **proposed well be reasonably uniform across the entire**
22 **length of the completed lateral?**

23 A. Yes, sir.

24 **Q. And in your opinion, will the granting of COG's**
25 **application avoid the drilling of unnecessary wells,**

1 **protect correlative rights and serve the interest of**
2 **conservation and the prevention of waste?**

3 A. Yes, sir.

4 MR. LARSON: Mr. Examiner, I move the
5 admission of Exhibits 9 through 12.

6 MR. MOELLENBERG: No objections.

7 EXAMINER JONES: Exhibits 9 through 12 are
8 admitted.

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

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

13 MR. MOELLENBERG: No questions.

14 EXAMINER BROOKS: No questions.

15 CROSS-EXAMINATION

16 BY EXAMINER JONES:

17 **Q. On your cross section, the well on the right,**
18 **the #20H --**

19 A. Yes, sir.

20 **Q. -- the log on that, is that from a pilot hole?**

21 A. The one on the far right?

22 **Q. Yes.**

23 A. Yes, sir. It's from a pilot hole where we
24 collected logs to evaluate the interval.

25 **Q. Okay. How often do you drill a pilot hole now**

1 **days?**

2 A. Not as much as we'd like. It depends on
3 circumstances. If we feel that a pilot hole is
4 necessary to collect data to properly evaluate not only
5 the interval we're interested in but whether additional
6 uphole or downhole potential is required, that's usually
7 when it's justified.

8 **Q. Okay. This Wolfcamp that you're targeting**
9 **here, I can actually correlate that myself across the --**
10 **usually. But can you talk about the lithology of it?**

11 A. The lithology is -- our interpretation is it's
12 an organic-rich shale package that is continuous. We
13 feel -- I mean, it's -- the target interval itself is
14 very uniform and continuous thickness from north to
15 south, and it leads us to believe that where we place
16 our lateral, we can maintain it in the best rock that we
17 deem at the reservoir.

18 **Q. Okay. So two wells in Section 17. One was a**
19 **pilot hole. One was a vertical hole. And up in 5 was a**
20 **vertical well, is that correct, up through the Wolfcamp?**
21 **It was just a log through the Wolfcamp?**

22 A. Yeah. The 5 and 17 are -- are deep vertical
23 wells. The well in the southeast part of Section 17 was
24 a pilot hole associated with a horizontal Wolfcamp well
25 that we drilled and completed.

1 **Q. Okay. But those two verticals wells, are they**
2 **just logged through those zones?**

3 A. Yeah. They're logs that go through the zone,
4 and they're representative of the reservoir.

5 **Q. Okay. Where would you go if you wanted to look**
6 **at a Wolfcamp core?**

7 A. Oof.

8 **Q. Do you have a core library of your own at COG?**

9 A. Our company -- we don't have an internal core
10 library. As far as recorded and taken, I can't speak to
11 that because I'm not -- I'm not sure where they're
12 located with respect to where this project is.

13 **Q. Are you excited about the Wolfcamp in this**
14 **area?**

15 A. You know, I'll -- the Wolfcamp is a very
16 encouraging reservoir in southeast New Mexico, and I
17 know, you know, other operators, as well as ourselves,
18 we've seen very encouraging results.

19 **Q. What about water cut and gas?**

20 A. As far as exact numbers, I can't give you. I
21 don't know those. Our engineers handle most of those.
22 So I can't really speak to exact details on those.

23 **Q. Okay. But thank you very much. Appreciate it.**

24 A. Thank you, sir.

25 EXAMINER JONES: That being all in this

1 case --

2 MR. LARSON: I have nothing further.

3 EXAMINER JONES: -- Case 15880 will be
4 taken under advisement.

5 (Case Number 15880 concludes, 2:59 p.m.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

21

22

23

24

25

MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters