

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. 15881  
FOR A NONSTANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, LEA 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  
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APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

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FOR INTERESTED PARTY OCCIDENTAL PERMIAN LIMITED  
PARTNERSHIP:

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1 (3:00 p.m.)

2 EXAMINER JONES: And I believe this is the  
3 last case on the docket today. Call Case 15881,  
4 application of COG Operating, LLC for a nonstandard  
5 spacing unit and proration unit and compulsory pooling,  
6 Lea County, New Mexico.

7 Call for appearances.

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

11 MR. MOELLENBERG: Good afternoon. Dalva  
12 Moellenberg for Occidental.

13 EXAMINER JONES: Same witnesses?

14 MR. LARSON: (Indicating.)

15 EXAMINER JONES: Let the record show the  
16 two witnesses in this case have been previously sworn  
17 and qualified.

18 MR. LARSON: Thank you.

19 EXAMINER JONES: I apologize, Mr. Bedrick.  
20 I was calling you Mr. Frederick.

21 THE WITNESS: That's not the first time I  
22 didn't correct.

23 LUKE BEDRICK,

24 after having been previously sworn under oath, was  
25 questioned and testified as follows:

DIRECT EXAMINATION

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BY MR. LARSON:

**Q. Mr. Bedrick, could you identify the document marked as Exhibit 1?**

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

**Q. And is Exhibit 1 a true and correct copy of the C-102 for the #4H well?**

A. Yes, it is.

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

A. The Bone Spring Formation.

**Q. Are there any depth exceptions in the Bone Spring?**

A. No.

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

A. Yes. This is a map depicting our project area outlined in red, along with the associated interest owners and their prospective interests.

**Q. And did you create this document?**

A. Yes, I did.

**Q. And what is the nature of the lands within the proposed project area?**

1           A.    Tract 1 is fee minerals.  Tract 2 is federal  
2 minerals.

3           **Q.    And is it correct to say that Exhibit 2**  
4 **identifies the interests in the proposed project area**  
5 **that were uncommitted when COG filed its application?**

6           A.    Yes.  Those parties are highlighted in yellow.

7           **Q.    Would you identify the document marked as**  
8 **Exhibit 3?**

9           A.    This is a copy of the well-proposal letter  
10 dated September 18th, 2017 for the Tigercat Federal Com  
11 4H sent to all working interest owners and includes  
12 copies of the signed green cards.

13          **Q.    And did you prepare and send these**  
14 **well-proposal letters?**

15          A.    Yes.

16          **Q.    And after you sent the well-proposal letters,**  
17 **did you follow up with the working interest owners?**

18          A.    Yes.

19          **Q.    And has COG reached agreement with Occidental**  
20 **Permian L.P.?**

21          A.    Yes, we have.

22          **Q.    Have the other interests identified in Exhibit**  
23 **2 leased or committed to joining the well?**

24          A.    Yes, RSC Resources and Sagebrush Interest.

25          **Q.    And in your opinion, has COG made a good-faith**

1 effort to obtain the voluntary joinder of all of the  
2 uncommitted interests?

3 A. Yes.

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

6 A. It's a sample of the hearing notice letter sent  
7 to all the uncommitted interest owners.

8 Q. And were those hearing notice letters sent by  
9 my law firm at your direction?

10 A. Yes.

11 Q. And was the letter sent to all of the  
12 uncommitted interests identified in Exhibit 2?

13 A. Yes.

14 Q. Would you identify the document marked as  
15 Exhibit 5?

16 A. This is a copy of the offset interest owners to  
17 the project area.

18 Q. Did you prepare this document?

19 A. Yes.

20 Q. And in addition to offset operators, did the  
21 list also include offset lessees and unleased mineral  
22 interests?

23 A. Yes.

24 Q. Would you identify the document marked as COG  
25 Exhibit 6?

1           A.    This is a sample hearing notice letter which  
2 was sent to all the offset interest owners.

3           Q.    And were the notice letters sent by my law firm  
4 at your direction to all of the offset interests  
5 identified in Exhibit 5?

6           A.    Yes.

7           Q.    And did COG have good addresses for all of the  
8 offset interests?

9           A.    Yes.

10          Q.    Did COG also publish a notice that individually  
11 identifies the interests shown in Exhibits 2 and 5?

12          A.    Yes. Notice was published in the "Hobbs  
13 News-Sun" on November 9th, 2017.

14          Q.    Would you identify Exhibit 7?

15          A.    Yes. This is a copy of the Affidavit of  
16 Publication for the notice in the "Hobbs News-Sun."

17          Q.    And is Exhibit 7 a true and correct copy of  
18 that affidavit?

19          A.    Yes, it is.

20          Q.    Would you identify the document marked as  
21 Exhibit 8?

22          A.    This is a copy of COG Operating's AFE for the  
23 Tigercat Federal Com 4H.

24          Q.    And is this the same AFE that was included your  
25 with well-proposal letters?

1 A. Yes, it is.

2 Q. And what are the total estimated well costs  
3 indicated on the AFE?

4 A. \$6,626,100.

5 Q. And are those costs similar to costs incurred  
6 by COG for other one-mile Bone Spring horizontal wells?

7 A. Yes.

8 Q. And do you have a recommendation for the amount  
9 COG should be paid for supervision and administrative  
10 expenses?

11 A. Yes, \$7,000 a month while drilling, \$700 a  
12 month while the well is producing.

13 Q. And are those amounts consistent with and  
14 similar to those charged by COG for other one-mile Bone  
15 Spring horizontal wells?

16 A. Yes.

17 Q. And do you also recommend that these  
18 supervision and administrative expenses be adjusted  
19 periodically pursuant to COPAS?

20 A. Yes.

21 Q. Is COG also requesting a 200 percent charge for  
22 the risk of drilling and completing the #4H well?

23 A. Yes.

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.

4                     MR. LARSON:   Mr. Examiner, I'd move the  
5     admission of COG Exhibits 1 through 8.

6                     MR. MOELLENBERG:   No objections.

7                     EXAMINER JONES:   1 through 8 are admitted.  
8                     (COG Operating, LLC Exhibit Numbers 1  
9                     through 8 are offered and admitted into  
10                    evidence.)

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

12                    MR. MOELLENBERG:   No questions.

13                    EXAMINER JONES:   No questions?

14                    EXAMINER BROOKS:   No questions.

15                                    CROSS-EXAMINATION

16     BY EXAMINER JONES:

17             Q.     **So two tracts in this case, and it looks like**  
18     **the same people pretty much.**

19             A.     Yes, same parties.

20             Q.     **Same parties.**

21                             And you're always -- a mile-long Bone  
22     Spring well. Were the other two wells were -- two Bone  
23     Spring wells were two miles. So this is a one-mile Bone  
24     Spring well. Is there -- should I wait and talk to the  
25     geologist?

1           A.    Well, that's land driven. COG does not have an  
2 interest in that tract to the south on the west half of  
3 Section 17.

4           **Q.    You're an honest man, Mr. Bedrick.**

5                       **I don't have any more questions.**

6           A.    Okay. Thank you.

7                               JOHNNY R. BERTALOTT,

8           after having been previously sworn under oath, was  
9 questioned and testified as follows:

10                               DIRECT EXAMINATION

11 BY MR. LARSON:

12           **Q.    Mr. Bertalott, would you identify the document**  
13 **marked as Exhibit 9?**

14           A.    Exhibit 9 is a location map. The yellow  
15 highlight is the acreage we are seeking to pool, and the  
16 brown, dashed line is the location of the Tigercat  
17 Federal Com 4H with the surface-hole location denoted by  
18 the open brown circle in northern part of Section 8.

19           **Q.    Did you prepare this exhibit?**

20           A.    Yes, I did.

21           **Q.    And will the completed interval of the 4H well**  
22 **comply with the Division setback requirements?**

23           A.    Yes, sir, it will.

24           **Q.    Were you involved in COG's evaluation prospects**  
25 **for the #4H well?**

1           A.    I was.

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

4           A.    Exhibit 10 is the location map showing the  
5 location of the Tigercat Fed Com 4H.  It is also showing  
6 the structure map of the 1st Bone Spring Shale.  We will  
7 be drilling from north to south slightly downdip, and  
8 there is no structural complexity in the area.

9           **Q.    Did you prepare this exhibit?**

10          A.    I did.

11          **Q.    I'd next ask you to identify the document**  
12 **marked as Exhibit 11.**

13          A.    Exhibit 11 is a location map showing the  
14 location of the Tigercat Federal Com 4H.  It's also  
15 showing the location of the cross section, A to A prime,  
16 from north to south and the three wells that were chosen  
17 to go into the cross section.

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

20          A.    Exhibit 12 is the cross section, A to A prime,  
21 north to south, left to right on your exhibit.  The  
22 datum is stratigraphically hung on the top of the 1st  
23 Bone Spring Shale.  The lateral interval highlighted on  
24 the left-hand side is continuous as we go across the  
25 area.

1 Q. And in your view, is the cross section  
2 representative of the geology in the proposed project  
3 area?

4 A. Yes, sir.

5 Q. And are there any geologic impediments in the  
6 target interval?

7 A. No, sir.

8 Q. In your opinion, will production for the  
9 proposed well be reasonably uniform across the entire  
10 length of the completed lateral?

11 A. Yes, sir.

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

16 A. Yes, sir.

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

19 MR. MOELLENBERG: No objections.

20 EXAMINER JONES: Exhibits 9 through 12 are  
21 admitted.

22 (COG Operating, LLC Exhibit Numbers 9  
23 through 12 are offered and admitted into  
24 evidence.)

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

1 MR. MOELLENBERG: No questions.

2 EXAMINER BROOKS: No questions.

3 CROSS-EXAMINATION

4 BY EXAMINER JONES:

5 Q. When you get your post-drill surveys back, do  
6 you get them in digital form or -- because we get them  
7 in PDF, you know, images?

8 A. I'm sorry. I didn't hear the first part of the  
9 question.

10 Q. The post-drill surveys --

11 A. Uh-huh.

12 Q. -- well surveys, do you get them in digital  
13 format so you can actually draw the well on your GIS  
14 system?

15 A. So we get post-drill. We also get  
16 while-drilling surveys, which allows us to steer the  
17 well within the target interval.

18 Q. Okay.

19 A. Yeah.

20 Q. And you -- and then when the final survey is  
21 run after the well is drilled, you get that digitally;  
22 is that correct?

23 A. Correct.

24 Q. You have the data digitally?

25 A. Correct. But with us getting surveys as we're

1 drilling, there are really no surprises. It's basically  
2 adding them all up, and you just get the final -- the  
3 culmination of all of them. So --

4 Q. But right now you don't require a lat/long of  
5 each point; is that correct?

6 A. No, not that I'm aware of.

7 Q. I think we're going to be requesting that of  
8 all the operators, but we haven't gotten around to it.

9 A. Okay.

10 Q. The BLM supposedly does that already, or  
11 they're getting -- they're on board with that.

12 Anyway, thank you very much.

13 A. Thank you.

14 MR. LARSON: I have nothing further,  
15 Mr. Examiner.

16 EXAMINER JONES: Thank you-all for coming.  
17 Appreciate it.

18 We'll take Case 15881 under advisement.

19 Unless I'm missing a case, we're  
20 done. We're all out of cases, so the docket is  
21 concluded.

22 (Case Number 15881 concludes, 3:11 p.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.

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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