

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 FOR CASE NOs. 20205,  
COMPULSORY POOLING, LEA COUNTY, 20206  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 7, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER  
KATHLEEN MURPHY, TECHNICAL EXAMINER  
TERRY WARNELL, TECHNICAL EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner; Kathleen Murphy and Terry Warnell, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, February 7, 2019, 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:

ELIZABETH "BETH" A. RYAN, ESQ.  
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1 (8:32 a.m.)

2 EXAMINER DAWSON: So that moves us to case  
3 number two, which is 20206. It is COG Operating, LLC  
4 for compulsory pooling. Ms. Munds-Dry is the attorney,  
5 and we have another attorney sitting in.

6 MS. RYAN: Yes. Elizabeth Ryan on behalf  
7 of COG Operating.

8 EXAMINER DAWSON: All right, Elizabeth.  
9 Any other appearances? No other  
10 appearances?

11 So when you're ready, Ms. Ryan.

12 MS. RYAN: All right. Thank you.

13 I'd like to consolidate these two cases for  
14 hearing purposes.

15 EXAMINER DAWSON: Okay.

16 MS. RYAN: And so we also combined --  
17 you'll see that we also combine the exhibits and  
18 affidavits to discuss both the Bone Spring and the  
19 Wolfcamp targets.

20 EXAMINER DAWSON: Okay. So the two cases  
21 that you are consolidating -- is this 20206? And the  
22 other case is?

23 MS. RYAN: 20205.

24 EXAMINER DAWSON: 20205. What number is  
25 that on the docket?

1 MS. RYAN: 23. Yes, sir. The 20205 is our  
2 Bone Spring case, and the 20206 is our Wolfcamp case.

3 EXAMINER DAWSON: Okay. So these two cases  
4 will be consolidated.

5 MS. RYAN: Thank you.

6 First, you'll see Exhibit A is the  
7 affidavit of Matt Solomon who is a landman at COG, and  
8 he has previously been qualified before the Division.  
9 You see we're seeking to pool uncommitted interests in  
10 the Bone Spring and Wolfcamp Formations in a 640-acre  
11 horizontal spacing unit comprised of the east half of  
12 Section 35, Township 24 South, Range 34 East and the  
13 east half of Section 2, Township 25 South, Range 34 East  
14 in Lea County. And these will dedicate seven separate  
15 horizontal wells, three Bone Spring, the Brot Helm Fed  
16 Coms 601, 602 and 603, and then the Wolfcamp wells are  
17 the 701, 702 and 703H and 704H. There are no depth  
18 severances in ownership.

19 Exhibit 1 -- A1 -- pardon me -- is all of  
20 our C-102 plats for each of these wells.

21 A2 has been prepared to identify the  
22 different tracts involved. On the first page of that  
23 exhibit, you'll see that Tract 1 is a federal lease that  
24 covers the entire east half of Section 35, and that's  
25 owned 100 percent by COG Operating. And then you'll see

1 Tracts 2 and 3 down in Section 2. Those are both state  
2 leases that are owned 100 percent by EOG Resources,  
3 Inc., and the ownership is the same for both the Bone  
4 Spring and the Wolfcamp Formations. And EOG Resources,  
5 Inc. is the only uncommitted party that we are seeking  
6 to pool today.

7           You'll see on Exhibit A3 my affidavit  
8 regarding giving notice. It involves our notice to EOG  
9 Resources, and the green card is attached to that  
10 reflecting that they received notice by certified mail.  
11 There was no reason to publish because EOG was the only  
12 party we were seeking to give notice. And we did not --  
13 we aren't seeking to pool overriding owners.

14           Exhibit A4 includes our well proposals for  
15 each of the wells and the respective AFEs. The Bone  
16 Spring are coming out at about 9-1/2 million and the  
17 Wolfcamps at 10-and-a-half. COG is requesting an  
18 estimate for overhead and administrative costs on the  
19 drilling and producing at 7,000 a month while drilling  
20 and 700 a month while producing.

21           COG has made good-faith efforts to reach an  
22 agreement with EOG but has so far not been able to, so  
23 that's why we're here.

24           We would ask for an extension -- relief  
25 from the 120-day requirement between drilling and

1 completion because this is a padded project of seven  
2 wells. So I have been hearing your approval of 12  
3 months, so that's what we're asking for today.

4 It is, in Mr. Solomon's opinion, that this  
5 is for the prevention of waste and the protection of  
6 correlative rights.

7 Next I'll move on to Exhibit B, which is  
8 the affidavit of Candice Pettijohn. She's a geologist  
9 for COG Operating, and she has also previously testified  
10 before the Division and been so qualified.

11 Exhibit B1 is our -- just a locator map.  
12 And we have combined each of the geologist's exhibits.  
13 We've combined both the Bone Spring information and the  
14 Wolfcamp information for you on the exhibit to make it  
15 easier. You'll see the dotted -- pink-dotted lines are  
16 the Wolfcamps and the purple-dotted lines are the Bone  
17 Spring wells, and you can reference the other producing  
18 wells in the area.

19 Exhibit B2 is a subsea structure map that  
20 she prepared off the top of the Wolfcamp.

21 And then Exhibit B3 reflects the two wells  
22 that she used to construct her cross section.

23 And Exhibit B4 is that cross section  
24 prepared reflecting -- reflecting the two Bone Spring  
25 and Wolfcamp zones. She has not identified any geologic

1 impediments to drilling horizontal wells in this area,  
2 and each quarter-quarter section will be productive and  
3 contribute more or less equally to the spacing unit  
4 comprising. And in her opinion, horizontal drilling is  
5 the most efficient method to develop, and these cases  
6 will be in the best interest of conservation and the  
7 prevention of waste.

8 I move for the admission of Exhibit A and  
9 those attachments and Exhibit B and those attachments.

10 EXAMINER DAWSON: Okay. At this point  
11 Exhibit A with the pertinent attachments and Exhibit B  
12 with the pertinent attachment will be admitted to the  
13 record.

14 (COG Operating, LLC Exhibit Letters A and B  
15 are offered and admitted into evidence.)

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

18 EXAMINER BROOKS: No questions.

19 EXAMINER DAWSON: Mr. Warnell?

20 EXAMINER WARNELL: I have a question,  
21 Ms. Ryan.

22 MS. RYAN: Sure.

23 EXAMINER WARNELL: On the number of wells  
24 in your application --

25 MS. RYAN: Yes, sir.

1 EXAMINER WARNELL: -- you've got three Bone  
2 Spring and four Wolfcamps?

3 MS. RYAN: Three Bone Spring and four  
4 Wolfcamp, yes, sir.

5 EXAMINER WARNELL: Does that mean COG has  
6 done AFEs on all seven of those wells?

7 MS. RYAN: Yes. Uh-huh.

8 EXAMINER WARNELL: Thank you.

9 EXAMINER BROOKS: In view of Mr. Warnell's  
10 question, do you specify in here the order in which you  
11 plan to drill them?

12 MS. RYAN: I don't think it's specified  
13 within our application, but I can -- I can find out that  
14 information for you. I mean, it's pad drilling, so  
15 they're going to be drilled and simultaneously  
16 completed.

17 EXAMINER BROOKS: Okay. So they're going  
18 to be drilled and simultaneously completed, so you do  
19 not have any one designated as the defining well?

20 MS. RYAN: There is a defining well because  
21 the spacing unit includes proximity acreage. So I  
22 believe the defining wells on each -- let me flip to the  
23 right exhibit for you.

24 EXAMINER BROOKS: But you want the order to  
25 specify all of the wells as being dedicated to the unit,

1 right?

2 MS. RYAN: Yes, sir.

3 EXAMINER BROOKS: Or to the respective  
4 units because you've got both Bone Spring and Wolfcamp?

5 MS. RYAN: Yes, sir. But the spacing unit  
6 will cover the entire east half of Section 35 and the  
7 entire east half of Section 2 because there are defining  
8 wells that run right down the middle of the east half,  
9 and then we're including proximity acreage.

10 EXAMINER BROOKS: So you have the same  
11 acreage in the Bone Spring and the Wolfcamp?

12 MS. RYAN: Yes, sir. Uh-huh.

13 EXAMINER BROOKS: Okay. Thank you.

14 EXAMINER DAWSON: COG was not able to  
15 provide a geologist today or a landman?

16 MS. RYAN: We could have -- we could have  
17 brought them in person, but we've been hearing that  
18 the -- if it's uncontested and there are no objections,  
19 that we could put this case on by affidavit. So that's  
20 why we didn't --

21 EXAMINER DAWSON: Okay.

22 EXAMINER BROOKS: That is what the rule  
23 says.

24 EXAMINER DAWSON: I had a couple of  
25 geological questions, but they're not here to ask them.

1                   When I look at the cross section on the  
2 sand target --

3                   MS. RYAN: Uh-huh.

4                   EXAMINER DAWSON: -- it looks like it's --  
5 with the -- where they've identified the sand target on  
6 Exhibit B4 --

7                   MS. RYAN: Uh-huh.

8                   EXAMINER DAWSON: -- that looks like it's  
9 both in the Wolfcamp and the Bone Spring. But I was  
10 going to ask the geologist if -- that sand target, is  
11 that entirely in the Bone Spring? I mean, these are  
12 Bone Spring wells. I'm just hoping they're not Wolfbone  
13 wells. So can you get the geologist to clarify that?

14                   MS. RYAN: Yes. In fact, we'll file an  
15 amended affidavit that includes that information for  
16 you.

17                   EXAMINER DAWSON: And if they could just  
18 tell us that sand target, if that's like the Lower Bone  
19 Spring. You know, different companies label the Bone  
20 Spring targets differently.

21                   MS. RYAN: Sure.

22                   EXAMINER DAWSON: Like, the 3rd Bone  
23 Spring, that's probably the 3rd Bone Spring, but if they  
24 could just identify that. And then on the shale target  
25 within the Wolfcamp, just let us know what bench of the

1 Wolfcamp that is, whether it's the Wolfcamp A or B,  
2 which bench it is in the Wolfcamp. That way we'll have  
3 clarification on this base.

4 MS. RYAN: Sure.

5 EXAMINER DAWSON: Do you have any  
6 questions, Kathleen?

7 EXAMINER MURPHY: No.

8 EXAMINER DAWSON: Exhibits A and B will be  
9 admitted to the record, and at this point Case Number  
10 20205 --

11 You are asking for these to be taken under  
12 advisement, I presume?

13 MS. RYAN: Yes, I am.

14 EXAMINER DAWSON: At this time Case Number  
15 20205, which is number 23 on the list, and Case Number  
16 20206, which is number two on the list, will be taken  
17 under advisement.

18 Thank you very much.

19 (COG Operating, LLC Exhibit Letters A and B  
20 are offered and admitted into evidence.)

21 (Case Numbers 20205 and 20206 conclude,  
22 8:44 a.m.)

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24

25 STATE OF NEW MEXICO

1 COUNTY OF BERNALILLO

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3 CERTIFICATE OF COURT REPORTER

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

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

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

19 DATED THIS 7th day of March 2019.

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MARY C. HANKINS, CCR, RPR  
Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters