

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:

CASE NO: 20271

Application of COG Operating
LLC for Compulsory Pooling,
Lea County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, MARCH 7, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Leonard Lowe and William Jones, and Legal Examiner David Brooks, on Thursday, March 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: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

For the Applicant: Adam Rankin
Holland & Hart
110 N Guadalupe Street, Suite 1
Santa Fe, NM 87501

I N D E X

CASE NO. 20271 CALLED	
MATTHEW SOLOMON (By Affidavit)	03
JOHN BERTALOTT (By Affidavit)	06
TAKEN UNDER ADVISEMENT AND CONTINUED:	09

E X H I B I T I N D E X

	Admitted
Exhibit 1, Attachments A-C	08
Exhibit 2, Attachments A-C	08
Exhibit 3	08

1 HEARING EXAMINER: We will call Case 20271. COG
2 Operating for compulsory pooling, Lea County.

3 MR. RANKIN: Good morning, Mr. Examiner.

4 HEARING EXAMINER: Good morning.

5 MR. RANKIN: Adam Rankin here on behalf of the
6 applicants from the Law Firm of Holland & Hart.

7 This case will be presented by affidavit.

8 Mr. Examiner, before you is an exhibit packet
9 consisting of three exhibits in Case Number 20271.

10 First exhibit is an affidavit of Matthew Solomon,
11 the landman for Concho Resources Operating LLC.

12 Second exhibit is a copy of the affidavit of the
13 geologist.

14 The third is an affidavit of notice.

15 Number 1, the affidavit of Mr. Matthew Solomon.
16 He has appeared to testify before the Division. He is an
17 expert in petroleum and land matters.

18 In this case COG is seeking an order pooling all
19 uncommitted interests in the Bone Spring Formation,
20 underlying a 640-acre horizontal spacing unit, comprised of
21 the W/2 of Section 35, Township 25, Range 32 East, and the
22 W/2 of Section 2, Township 26 South, Range 32 East in Lea
23 County.

24 COG proposes to dedicate this 640-acre spacing
25 unit to ten initial proposed wells identified in his

1 affidavit, the Harrier Federal Com Wells. We have
2 identified in Mr. Solomon's affidavit there are -- the
3 Harrier Federal Com 103H, 202H will be closer to the
4 boundaries of the spacing -- of the standard spacing unit
5 that would normally be allowed in order to create the
6 proximity tracts to bring in the full 640 acres.

7 Each of these wells is identified in the
8 Exhibit 1A, which is the C-102s for each of the ten wells
9 proposed for the spacing unit. They identify the intervals
10 for each of these wells, and again the proposed 640-acre
11 spacing unit.

12 There are a few wells for which -- I'm sorry, I
13 misstated. Let me back up.

14 The Harrier Fed Com 102H, 301H, 302H, 304H and
15 305H will remain within the standard setbacks required by
16 statewide rules for wells within that 640-acre spacing unit.
17 The Harrier Federal Com 101H, 201H and 303H are the wells
18 that are going to be closer than permitted to create the
19 proximity tracts.

20 The Fed Com 103H and 202H are closer than the
21 outer boundaries of the spacing unit than are permitted by
22 statewide rules, and those wells have been separately
23 approved as unorthodox locations by the Division
24 administratively.

25 The, as I said, the C-102s are in Exhibit 1A.

1 All the interests that COG seeks to pool are
2 locatable. Exhibit 1C -- I'm sorry -- 1B is a copy of the
3 land exhibit reflecting the tracts of land that comprise the
4 640-acre spacing unit.

5 The second page of that exhibit reflects the
6 interest owners for each of the -- by working interest by
7 each of the tracts. In addition there are two overriding
8 royalty interest owners that COG seeks to pool, and they are
9 identified on this page as well.

10 Exhibit 1C is a copy of the well proposal letter
11 that was sent to each of the working interest owners,
12 identifying each of the initial proposed wells. Attached to
13 the well proposal letter are the AFEs for each of the ten
14 proposed initial wells, reflecting the estimated cost that
15 COG anticipates incurring in drilling each of those wells.

16 In Mr. Solomon's affidavit he has attempted to
17 reach voluntarily agreement with each of the working
18 interest owners identified in the unit. He has been unable
19 to reach agreement.

20 There are no depth severances in this case within
21 the spacing unit. COG has estimated the overhead and
22 administrative costs for drilling and producing the proposed
23 well is \$7,000 per month while drilling and \$700 per month
24 while producing.

25 Exhibit 2 is a copy of the affidavit of John

1 Bertalott who is the geologist that conducted the study of
2 the land.

3 Exhibit 2A attached to his affidavit is a copy of
4 a structure map that he prepared on top of the Avalon Shale
5 that he has identified as being representative of the
6 geology and structure in the area.

7 The structure map reflects the proposed wells
8 within the spacing unit at the W/2 of Section 35 and the W/2
9 of Section 2, as well as the offsetting wells in the same
10 zone.

11 Exhibit 2B is a copy of the land location map
12 that reflects the cross-section, line cross-section from A
13 to A Prime that was used to construct the stratigraphic
14 cross-section which is depicted in Exhibit 2C.

15 Mr. Bertalott testified that the wells identified
16 through that cross-section are representative of the geology
17 in that area and the geology in the horizontal spacing unit
18 they are proposing.

19 Exhibit 2C also identified the landing zones for
20 each of the wells by well number. On the left-hand side,
21 there are little green brackets that reflect the approximate
22 depth for each of the target intervals to reach the wells.

23 Mr. Bertalott testifies there are no -- there is
24 no faulting, pinchouts, or other geologic impediments for
25 development for completing intervals across the spacing in

1 this area.

2 And he also testifies that the orientation, the
3 stand-up orientation of the proposed wells in this area is
4 the preferred orientation to well development in the area.

5 He testifies that, in his opinion, there is no --
6 approval of the application is the best interest of
7 conservation, the protection of correlative rights, and
8 prevention of waste.

9 Exhibit 3 is a copy of the affidavit prepared by
10 me and my office reflecting that notice was provided to each
11 of the parties that COG is seeking to pool within the
12 spacing unit.

13 The second page is the letter sent out to the
14 interest owners. Subsequent pages are copies of the United
15 States Postal Service tracking and reporting sheets
16 reflecting that those parties were sent notice -- that they
17 were sent notice.

18 There are a total of two entities there --
19 actually, that's three entities that received notice, and
20 they are all signed for reflecting they actually received
21 notice.

22 Mr. Examiner, there were two additional
23 overriding royalty interest owners that are reflected on
24 Exhibit 1B. We need to continue this case to the next
25 available docket so that we can perfect notice of the

1 overrides. They have not yet received notice of the
2 pooling, so we ask that this case be continued to the -- I
3 guess it would be the April 18 docket so that we can perfect
4 notice to the overrides.

5 With that, Mr. Examiner, I would move the
6 admission of Exhibits 1, 2 and 3, along with their
7 attachments.

8 HEARING EXAMINER: Exhibits 1, 2 and 3 are
9 admitted.

10 MR. RANKIN: Any questions I can address? If
11 not, I ask that this case be taken under advisement.

12 MR. JONES: And continued?

13 MR. RANKIN: I'm sorry, and continued.

14 MR. JONES: That's a big job. Looks like about
15 \$1.1 billion of Mr. Carrs' money that are being spent.

16 MR. CARR: Pocket change.

17 MR. JONES: It's a huge endeavor that you are
18 doing here, and the well is going to be federal state com
19 agreement, obviously. And so when, when do they plan to
20 start this project?

21 MR. RANKIN: I'm not exactly sure what the dates
22 are. I can let you know. I don't know exactly what they
23 are.

24 MR. JONES: They are putting service locations up
25 in federal acreage, I noticed that, instead of down in the

1 state acreage.

2 MR. RANKIN: There are, I believe, if you look
3 here, Mr. Jones, there are a couple of wells that are
4 oriented from north to south.

5 MR. JONES: Oh.

6 MR. RANKIN: The majority of the wells are south
7 to north, but there are wells that go from north to south.

8 MR. JONES: Oh, okay. And they are all Avalon
9 Shale?

10 MR. RANKIN: All Avalon Shale, different zones
11 within the Avalon, but they all are Avalon.

12 MR. JONES: Like a 900-feet thick Avalon Shale
13 there.

14 MR. RANKIN: (Nodding.)

15 MR. BROOKS: I don't think I need to ask any
16 questions here of this one.

17 HEARING EXAMINER: Case 20271 will be continued
18 to April 18. Exhibits admitted.

19 Thank you.

20 (Case continued.)

21 (Adjourned.)

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STATE OF NEW MEXICO)
)SS
COUNTY OF SANTA FE)

I, IRENE DELGADO, certify that I reported the
proceedings in the above-transcribed pages, that pages
numbered 1 through 9 are a true and correct transcript of my
stenographic notes and were reduced to typewritten
transcript through Computer-Aided Transcription, and that on
the date I reported these proceedings I was a New Mexico
Certified Court Reporter.

Dated at Santa Fe, New Mexico, this 7th day of
March 2019.

Irene Delgado, NMCCR 253
Expires: 12-31-19