

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. 20183
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 21, 2019

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 TERRY WARNELL, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

 This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, Terry Warnell, Technical Examiner, and
David K. Brooks, Legal Examiner, on Thursday, February
21, 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
 New Mexico CCR #20
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1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

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7 FOR INTERESTED PARTY MRC PERMIAN COMPANY:

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1 (3:48 p.m.)

2 EXAMINER McMILLAN: I'd like to call Case
3 Number 20183, application of COG Operating, LLC for
4 compulsory pooling, Eddy County, New Mexico.

5 Call for appearances.

6 MR. RANKIN: Mr. Examiner, this is Adam
7 Rankin, with the law firm of Holland & Hart, here on
8 behalf of COG Operating, LLC, the Applicant in this
9 case. This case will be presented by affidavit.

10 EXAMINER McMILLAN: Any other appearances?

11 MR. BRUCE: Mr. Examiner, Jim Bruce
12 representing MRC Permian Company. I have no witnesses.

13 EXAMINER McMILLAN: Okay. Please proceed.

14 MR. RANKIN: Mr. Examiner, before you is an
15 exhibit packet containing the affidavits of COG's
16 landman and geologist.

17 Turning to the first exhibit, which is
18 marked as Tab A, is the affidavit of Mr. James Martin,
19 who has previously testified before the Division and had
20 his credentials as an expert in petroleum land matters
21 accepted as a matter of record. In his affidavit,
22 Mr. Martin reviews the parties that COG is seeking to
23 pool in this case. It consists of working interest
24 owners, royalty owners, overriding royalty owners,
25 unleased mineral interest owners and owners of some

1 unmarketable title. In this case COG is seeking to pool
2 all these uncommitted interest owners in the Wolfcamp to
3 create a 640-acre horizontal spacing unit in the lands
4 that he's identified. This spacing unit will be
5 dedicated to the Howitzer Federal Com #602H, 603H, 605H
6 and 606H wells.

7 Behind Mr. Martin's affidavit, Exhibit
8 Numbers 1, 2, 3, 4, are copies of the C-102s relating to
9 each of the wells that are proposed for the spacing
10 unit. This spacing unit in the Wolfcamp here is a
11 Purple Sage; Wolfcamp Pool. The wells proposed and the
12 completed intervals will remain wholly within the
13 required setbacks for the special pool rules for the
14 Wolfcamp; Purple Sage. These wells will be
15 simultaneously drilled and completed, so COG is asking
16 for enough time to drill the initial wells, so 120
17 days -- rather than 120 days, they're asking for 365
18 days, so one year.

19 EXAMINER BROOKS: We give everybody that.

20 MR. RANKIN: That is my understanding.

21 There are no depth severances within this
22 acreage within the Wolfcamp Formation.

23 Exhibit A5 is a copy -- is the land exhibit
24 depicting the tracts and the ownership by tract, as well
25 as the recapitulation of the ownership across the entire

1 spacing unit. That exhibit identifies the parties that
2 COG is seeking to pool and the working interests. The
3 second page of that exhibit identifies, in addition to
4 the working interest owners on the prior page, the
5 additional parties who require pooling either because
6 their contract doesn't -- the document that controls
7 their interest doesn't give them the authority to pool
8 or for unmarketable title reasons.

9 Exhibit 6 is a copy of the well-proposal
10 letter that was sent to the working interest owners.
11 Behind that well-proposal letter is a copy of the AFE
12 reflecting the cost estimates that COG anticipates for
13 drilling and completing the well. Mr. Martin testifies
14 that those costs are consistent with what COG and other
15 operators have incurred to drill similar wells in the
16 Wolfcamp in the area. There are no unlocatable interest
17 owners. The cost that COG seeks here is for
18 administration of -- while drilling is \$8,000 a month
19 and while producing, \$800 a month. Mr. Martin testifies
20 that those costs are consistent with what other
21 operators are charging for administrative overhead in
22 the area of similar wells.

23 With that, Mr. Examiner, I would tender the
24 admission of Exhibits A1 through A6 into the record.

25 EXAMINER McMILLAN: Jim?

1 MR. BRUCE: No objection.

2 EXAMINER McMILLAN: Exhibits A1 through A6
3 may now be accepted as part of the record.

4 Cross?

5 (COG Operating, LLC Exhibit Numbers A1
6 through A6 are offered and admitted into
7 evidence.)

8 EXAMINER McMILLAN: Okay. So you pooled
9 the working interests, unmarketable title, overrides.
10 What about royalty interests?

11 MR. RANKIN: So, Mr. Examiner, in this case
12 some of the royalty interests do not permit pooling as
13 many acres as COG is requesting here, so that's the
14 reason why they're being pooled.

15 EXAMINER McMILLAN: So it's royalty and
16 overrides?

17 MR. RANKIN: Uh-huh.

18 EXAMINER BROOKS: Okay. Where is that
19 list?

20 MR. RANKIN: It should be on the back of
21 Exhibit A5, the second page of the exhibit.

22 EXAMINER BROOKS: You've got unleased
23 mineral owners. You've cost-free revenue interests.
24 That's your royalties?

25 MR. RANKIN: Right.

1 EXAMINER BROOKS: One of them is RI.

2 That's the only one, seems like, right?

3 MR. RANKIN: That's my understanding, as
4 it's listed here.

5 EXAMINER BROOKS: All the others are
6 pooling cases or else they own it all?

7 MR. RANKIN: Right. The only parties that
8 COG is seeking to pool are those identified here. The
9 only royalty interests are the ones identified. The
10 others are overrides.

11 EXAMINER BROOKS: Okay.

12 EXAMINER McMILLAN: What? I didn't
13 understand. So you're compulsory pooling the overrides?

14 MR. RANKIN: And the one royalty interest
15 that's identified on that chart.

16 EXAMINER McMILLAN: Okay. And the unleased
17 mineral interest owners?

18 MR. RANKIN: Right.

19 EXAMINER McMILLAN: And the working
20 interest owners?

21 MR. RANKIN: Correct. And then the
22 unmarketable title owners.

23 EXAMINER BROOKS: The unmarketable title
24 owners are always in one or the other categories, as
25 they should be. The only reason to bring those in is to

1 bring in the people -- to be sure it extends to the
2 people who own that interest if the people who are named
3 don't.

4 MR. RANKIN: Correct. That's my
5 understanding.

6 EXAMINER BROOKS: I think your
7 understanding is correct.

8 MR. RANKIN: So with that, Mr. Examiner,
9 I'd like to move on to Exhibit B, which is the affidavit
10 of Mr. Matt Fisher, who is the geologist who reviewed
11 and conducted the study of the lands of the spacing unit
12 here. Mr. Fisher has previously testified before the
13 Division and had his credentials as an expert in
14 petroleum geology accepted as a matter of record.
15 Mr. Fisher reviews in his affidavit his analysis and
16 study of the lands.

17 Exhibit B1 is a copy of a location map
18 identifying the proposed spacing unit and wells, along
19 with COG's acreage and other Wolfcamp-producing wells in
20 the area.

21 Exhibit B2 is a copy of the structure map
22 just overlaying the Wolfcamp Formation with 25-foot
23 contour intervals.

24 Exhibit 3 is a copy of the overlay of the
25 A to A prime line of cross section, which is reflected

1 in stratigraphic cross section Exhibit B4. Mr. Fisher
2 reviews his analysis and identifies no pinch-outs,
3 geologic impediments or other issues that would prevent
4 development of a horizontal well across this acreage.

5 In his opinion, each tract comprising the
6 area will be productive and contribute more or less
7 equally to production from the wellbore. He further
8 testifies that the proposed target interval is
9 consistent across the entire spacing unit and that
10 granting the application is in the best interest of
11 conservation, the prevention of waste and the protection
12 of correlative rights.

13 Mr. Examiner, I would tender the admission
14 of Exhibits B1 through B4, that they be made a matter of
15 record.

16 MR. BRUCE: No objection.

17 EXAMINER McMILLAN: Exhibits B1 through B4
18 may now be accepted as part of the record.

19 (COG Operating, LLC Exhibit Numbers B1
20 through B4 are offered and admitted into
21 evidence.)

22 MR. RANKIN: Any questions about anything
23 in the affidavits I might answer?

24 EXAMINER McMILLAN: Any questions?

25 EXAMINER WARNELL: No questions.

1 EXAMINER BROOKS: No questions.

2 EXAMINER McMILLAN: No questions.

3 MR. RANKIN: Mr. Examiner, Exhibit C in the
4 exhibit packet before you is a copy of the affidavit
5 that I prepared reflecting that we provided notice to
6 the parties that COG provided us. The second page of
7 that exhibit is the letter that went out to each of the
8 interest owners, you know, giving notice of today's
9 hearing. The subsequent page is a copy of the United
10 States Postal Service tracking information reflecting
11 that each of the parties identified were sent notice.
12 The last page of the exhibit is a -- sorry.

13 Exhibit D is a copy of the Notice of
14 Publication reflecting that we identified each of the
15 notice parties by name. That was published in the
16 newspaper in the county where the well is located.

17 I ask now at this time that Exhibits C and
18 D be accepted as a matter of record.

19 EXAMINER McMILLAN: Jim?

20 MR. BRUCE: No objection.

21 EXAMINER McMILLAN: Exhibits C and D may
22 now be accepted as part of the record.

23 (COG Operating, LLC Exhibits C and D are
24 offered and admitted into evidence.)

25 MR. RANKIN: Unless the examiner has any

1 questions, I ask that Case Number 20183 be taken taken
2 under advisement by the Division.

3 EXAMINER McMILLAN: No objection?

4 MR. BRUCE: No objection.

5 EXAMINER McMILLAN: 20183 may now be taken
6 under advisement.

7 (Case Number 20183 concludes, 4:00 p.m.)

8 MR. McMILLAN: I will do my affidavit cases
9 in a flash. Mr. Brooks is going to complain that I'm
10 talking too fast, and Mary's going to want to kill me,
11 but I'm happy to do those three very quickly.

12 EXAMINER McMILLAN: Which ones?

13 MR. McMILLAN: They're the last five on the
14 docket.

15 EXAMINER BROOKS: As long as you don't
16 cause Mary to retire.

17 MR. McMILLAN: See, I'll be careful to stay
18 on this side of that line.

19 They're 82 through 86 on the docket. And
20 I'm not trying to jump the line. I think Adam could
21 probably wrap up. I just wanted you to know that after
22 Adam, it's just me, and I can do it.

23 MR. RANKIN: I have one case left that's
24 two wells, consolidated case.

25 MR. McMILLAN: I say get it done.

1 MR. RANKIN: I have two cases that are
2 consolidated.

3 EXAMINER BROOKS: Oh, I thought you said
4 you had one case that was two hours long.

5 MR. RANKIN: I definitely did not say that.

6 (Discussion off the record.)

7 EXAMINER McMILLAN: Let's come back at
8 8:30.

9 Hearing's adjourned.

10 (The proceedings conclude, 4:02 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.

20 DATED THIS 27th day of March 2019.

21

22

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