

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 LOGOS OPERATING, LLC                      CASE NO. 20413  
FOR COMPULSORY POOLING, SAN JUAN COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 16, 2019

Santa Fe, New Mexico

BEFORE:    LEONARD LOWE, CHIEF EXAMINER  
             MICHAEL McMILLAN, TECHNICAL EXAMINER  
             DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Leonard Lowe,  
Chief Examiner; Michael McMillan, Technical Examiner;  
and David K. Brooks, Legal Examiner, on Thursday, May  
16, 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  
                      Paul Baca Professional Court Reporters  
                      500 4th Street, Northwest, Suite 105  
                      Albuquerque, New Mexico 87102  
                      (505) 843-9241

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# APPEARANCES

FOR APPLICANT LOGOS OPERATING, LLC:

J. SCOTT HALL, ESQ.  
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1 (9:15 a.m.)

2 EXAMINER LOWE: We will now call Case  
3 Number 20413, LOGOS Operating, LLC for compulsory  
4 pooling, San Juan County, for well State 2408.

5 MR. HALL: Mr. Examiner, Scott Hall, senior  
6 counsel for LOGOS Resources and LOGOS Operating. I have  
7 no witnesses. This morning I'll be putting this case on  
8 by affidavit.

9 EXAMINER McMILLAN: Was this case heard  
10 earlier?

11 MR. HALL: This was not.

12 So, Mr. Examiner, we're here to pool  
13 interests for the north half of Section 32, 24 North, 8  
14 West in San Juan County for the Gallup Formation, three  
15 wells that will be drilled east to west. They are the  
16 State 2408 32A Com #1H, 2H and 3H.

17 If I could direct your attention to Exhibit  
18 A, that is the affidavit of Chris Jeffus -- Christopher  
19 Jeffus, who is vice president for land and legal. He's  
20 previously testified before the Division and had his  
21 credentials as an expert in land matters made a matter  
22 of record. This case was initially filed to pool bare  
23 record title and some unjoined working interests. In  
24 the last few days, the complexion of this case has  
25 changed. LOGOS now has consolidated all the working

1 interests in the unit. We're here to pool some  
2 overriding royalty interest owners. So we'll go through  
3 that for you.

4 If you will refer to Exhibit 1, as referred  
5 to in Mr. Jeffus' affidavit, LOGOS has obtained the  
6 preliminary approval of the State Land Office for this  
7 com. This is comprised of three state lease. There is  
8 correspondence back and forth between Niranjana Khalsa  
9 and Mr. Jeffus, and that is available to you there.

10 Exhibit Number 2 is the communitization  
11 agreement itself, and this is a signed copy. You can  
12 see that all working interests have signed. There is a  
13 breakout of interests, which is Exhibit A to Exhibit 2.  
14 It's Exhibit A to the communitization agreement. All of  
15 the interests are referenced there. You can see there  
16 are quite a few overriding royalty interests and their  
17 ownership percentages. Most of these interests derive  
18 from instruments that did not have pooling clauses in  
19 them, and I'll go through those in more detail  
20 momentarily.

21 Exhibit 3 is a plat of the communitized  
22 area for the Gallup, and you can see the references to  
23 the three state leases there. There is the VCO-0472,  
24 LO-2986 and BO-4912.

25 Exhibits 4, 5 and 6 are recent C-102s for

1 the 1H, 2H and 3H wells. Those surface- and bottom-hole  
2 locations are accurate now. The defining well for this  
3 unit will be the 2H well.

4 And because we have complete joinder of the  
5 operating rights now, there is no Exhibit 7. That was  
6 to be an AFE for you. We are asking that portions of  
7 our application requesting well costs and the risk  
8 penalty be dismissed. So we will be discussing that  
9 here today.

10 EXAMINER BROOKS: So you're pooling only --

11 MR. HALL: Overrides.

12 EXAMINER BROOKS: -- bare record title?

13 MR. HALL: We actually have the record  
14 title owner. Bare record title has signed the  
15 communitization agreement as well.

16 EXAMINER BROOKS: Okay. So who are you  
17 pooling?

18 MR. HALL: If you look at the ownership  
19 breakout to the com agreement, Exhibit A, the record  
20 title resides in GE Oil & Gas Pressure Control, LP.  
21 They own no other rights. In other words, they own no  
22 operating rights. That is an old company that was a  
23 Baker Hughes Company, since acquired by GE. We did  
24 obtain their signature for the com agreement.

25 At Exhibit 8, we have the affidavit of

1 Trevor Gates. He's a geoscientist for LOGOS Operating.  
2 He's previously testified before the Division and had  
3 his credentials as an expert petroleum geologist made a  
4 matter of record. Mr. Gates prepared three exhibits for  
5 us.

6 Exhibit 9 is a structure map with the A, A  
7 prime cross-section line noted on it. I beg your  
8 pardon. That's Exhibit 8.

9 Exhibit 9 is the cross section itself. And  
10 you'll note in these well logs, Mr. Gates has identified  
11 the basal Niobrara within the Gallup Formation. Down to  
12 the base of the Gallup Formation, there are a number of  
13 perforations -- historic perforations noted in the  
14 surrounding wells. The landing target for all three of  
15 the wells we're talking about today will be within that  
16 section.

17 There is an isopach shown for that section  
18 at Exhibit 10. And Mr. Gates notes that the reservoir  
19 is constant in thickness and reservoir facies throughout  
20 this area. He's indicated that the gross thickness  
21 interval for the target is 134 feet, and it's continuous  
22 throughout the entire unit. He indicates that the  
23 spacing unit is justified from a geologic standpoint.  
24 There are no structural impediments, pinch-outs or  
25 faulting that would interfere with drilling or

1 operations. And each of the quarter-quarters comprising  
2 the unit will contribute roughly equally to the well.  
3 And he also notes that the well can be efficiently and  
4 economically developed by these three wells.

5 Exhibit C is my Affidavit of Notice, and  
6 you will see -- I'm sorry -- Exhibit C, Number 11 is my  
7 affidavit.

8 Exhibit A to that affidavit identifies all  
9 of the parties who received notice. The lessee of  
10 record, working interest owners, the land management  
11 agencies, all the override owners are listed there, and  
12 the offset operators were notified as well.

13 If I can refer you to -- the last batch of  
14 letters is the letter sent to all of the owners of  
15 overriding royalty interest, and I have tabbed for you  
16 with the red tab there receipts from the postal  
17 department for notice that was sent to an interest owner  
18 in the United Kingdom and then another interest owner in  
19 Costa Rica. Return receipts aren't available for  
20 registered mail delivered internationally. So I  
21 conferred with Mr. Brooks on that, and he said it's  
22 okay.

23 EXAMINER BROOKS: Well, I think it's the  
24 best you can do, so I'm not going to complain.

25 MR. HALL: I also want to call your

1 attention to the next page. That is a receipt for  
2 notice that went to Brea, California. That's for the  
3 interest owner. It's a California nonprofit entity  
4 called Christ in You the Hope of Glory. We did not get  
5 a return receipt back from that interest. But if you'll  
6 look at Exhibit 13, that's the Affidavit of Publication  
7 for the Farmington Times. Christ in You the Hope of  
8 Glory is one of the interest owners we captured in  
9 there. We notified the individuals referenced there at  
10 the top of affidavit. I can represent to you that we  
11 are now in communication with the woman who operates  
12 that nonprofit in California, and she's indicated no  
13 objection to proceeding.

14 With that, we would move the admission of  
15 Exhibit A, Exhibits 1 through 6, Exhibit B and Exhibits  
16 8, 9 and 10 and Exhibit C and 11, 12 and 13. And that  
17 concludes my presentation.

18 EXAMINER LOWE: Okay. Well, all your  
19 exhibits are accepted for this case.

20 (LOGO Operating, LLC Exhibits: Exhibit A,  
21 Exhibits 1 through 6, Exhibit B and  
22 Exhibits 8, 9 and 10, and Exhibit C and 11,  
23 12 and 13, are offered and admitted into  
24 evidence.)

25 EXAMINER LOWE: Any questions, Mr. Brooks?



1 MR. BROOKS: No questions.

2 EXAMINER LOWE: Mr. McMillan?

3 EXAMINER McMILLAN: The only question I've  
4 got is on the geology on Exhibit 10. I'm just curious.  
5 Which have which have performed better? Because it  
6 looks like if you go two miles south, that's obviously a  
7 unit. Which of the four are better, diagonals or  
8 east-west?

9 MR. HALL: I believe he addresses that in  
10 his affidavit. He said it's -- if you look at --

11 EXAMINER McMILLAN: Trevor Gates?

12 MR. HALL: Yes.

13 EXAMINER McMILLAN: Okay. It's D.  
14 "Preferred well orientation east-west." I just hadn't  
15 seen it. Usually they always want to drill diagonal.

16 MR. HALL: Right. And the more the Gallup  
17 is being developed, the completion jobs are improving,  
18 and we're finding that well success is more dependent on  
19 the style and design of the completion than orientation.

20 EXAMINER McMILLAN: Oh, really?

21 MR. HALL: I'm just a humble lawyer.

22 EXAMINER McMILLAN: No, I know. Because  
23 usually Encana and WPX come up here and say, "Drill the  
24 stress direction."

25 MR. HALL: We're learning every day.

1 Any more questions?

2 EXAMINER LOWE: No.

3 MR. HALL: I just wanted to point out one  
4 more thing so there is no confusion when you're looking  
5 through the exhibits later. There is a piece of mail  
6 that came back that looks like this (indicating). The  
7 image shows the front and back of that envelope, and  
8 that's the notice to GE Oil & Gas PC, LLC. As I said,  
9 we have their signature on the com agreement, just so  
10 there is no confusion about that.

11 And that's it. I would ask that the case  
12 be taken under advisement.

13 EXAMINER LOWE: Okay. Case Number 20413  
14 will be taken under advisement.

15 (Case Number 20413 concludes, 9:30 a.m.)

16 EXAMINER LOWE: And we will take a  
17 15-minute break. We will return in 15 minutes.

18 (Recess, 9:30 a.m. to 9:50 a.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 30th day of May 2019.

21

22

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

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