

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. 20337
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 25, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner; Kathleen Murphy, Technical Examiner; and David K. Brooks, Legal Examiner, on Thursday, July 25, 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
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APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

KAITLYN A. LUCK, ESQ.
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1 (11:17 a.m.)

2 EXAMINER JONES: Okay. Let's call Case
3 20337, application of COG Operating, LLC for compulsory
4 pooling in Eddy County, New Mexico.

5 Call for appearances.

6 We switch counties here.

7 MS. LUCK: Yeah.

8 Kaitlyn Luck with the Santa Fe office of
9 Holland & Hart.

10 EXAMINER JONES: Any other appearances?
11 Okay.

12 MS. LUCK: And COG is asking that this case
13 be accepted by affidavit, since there is no opposition
14 or entry by any other party.

15 Turning to the first exhibit in your
16 packet, it's an affidavit of the COG's landman Travis
17 Macha. He has previously testified before the Division
18 as an expert in petroleum land matters, and his
19 credentials have been accepted by the Division and made
20 a matter of record.

21 In this case COG is seeking an order
22 pooling all uncommitted interests in the Wolfcamp
23 Formation and the Purple Sage; Wolfcamp Gas Pool, pool
24 code 98220, for a standard 640-acre horizontal spacing
25 unit comprised of the east half of Sections 24 and 25,

1 Township 24 South, Range 27 East in Eddy County. The
2 spacing unit will be dedicated to the following proposed
3 initial wells: The Quien Sabe 801H and the Quien Sabe
4 602H. The footages in the unit locations of the
5 surface- and bottom-hole locations are noted in
6 paragraph five of his affidavit. The completed interval
7 for these wells will comply with the setbacks for the
8 Purple Sage Pool.

9 His Exhibit A1 are the C-102s for the three
10 wells.

11 His Exhibit A2 identifies the tracts
12 comprising the proposed spacing unit, which includes
13 both state and federal lands. He also identifies the
14 interest ownership by tract and ultimately by spacing
15 unit. COG is seeking to pool both working interests and
16 overriding royalty interests in this case. And you'll
17 see on Exhibit A2 highlighted in yellow are the parties
18 that COG is seeking to pool, as well as the parties that
19 COG has reached an agreement with. All interest owners
20 are locatable.

21 And then turning to Exhibit A3 are the
22 sample well-proposal letters, along with the AFE
23 provided to the interest owners that COG is seeking to
24 pool. The costs are similar with what other operators
25 in the area are charging. Mr. Macha also notes in his

1 affidavit that there are no depth severances within the
2 spacing unit, and COG is requesting \$7,000 per month
3 while drilling and \$7,000 per month while producing.

4 EXAMINER BROOKS: You mean 700.

5 MS. LUCK: 700 while producing. He also
6 provided our office with the names and addresses to be
7 provided notice of this hearing, and proof of that
8 notice is provided later in Exhibits C and D.

9 EXAMINER JONES: Okay. Even though -- I'm
10 sorry to interrupt.

11 MS. LUCK: That's okay.

12 EXAMINER JONES: The JOA says 8,000, 800.
13 I've seen that in several hearings now, where they've
14 changed at the hearing for the pooled parties. Do they
15 really want to do that, or is the JOA actually different
16 for overhead rates for pooled parties versus nonpooled
17 parties?

18 MS. LUCK: And if I may, I'd just like to
19 confirm that with Mr. Macha, and then I will advise the
20 Division to confirm those costs to be sure they're
21 requesting the 7,000 and 700 rather than the 8,000, 800.

22 EXAMINER JONES: Okay. Sorry to interrupt.

23 MS. LUCK: No. Thank you for that
24 question. I appreciate it.

25 Turning to Exhibit B is an affidavit of

1 Travis Sparks, who is a geologist for COG. His
2 credentials as an expert petroleum geologist have been
3 accepted by the Division and made a matter of record.
4 He's familiar with this application filed by COG, and he
5 has conducted a geologic study of the targeted Wolfcamp
6 A and Wolfcamp D.

7 His Exhibit B1 is the project locator map
8 showing COG's acreage in yellow and the paths of the
9 proposed wells depicted by dashed red lines. Existing
10 producing wells are represented by solid purple lines
11 for the Wolfcamp A and solid red lines for the Wolfcamp
12 D.

13 His Exhibit B2 is his subsea structure map
14 that he prepared for the Wolfcamp A Formation showing
15 the paths of the proposed wellbores for the 602H and the
16 603H. His structure map shows the structure is gently
17 dipping to the southeast, and he does not observe any
18 faulting, pinch-outs or geologic impediments to
19 development of the Wolfcamp A acreage with those two
20 wells.

21 Behind Exhibit B3 is the subsea structure
22 map for the Wolfcamp D, and it shows the proposed path
23 of the wellbore for the 801H well. According to his
24 opinion, he does not observe any faulting, pinch-outs or
25 other geologic impediments to developing the targeted

1 Wolfcamp D with this horizontal well.

2 His Exhibit B4 overlays a cross-section
3 line, which he used to construct the stratigraphic cross
4 section from A to A prime using three wells.

5 And his Exhibit B5 is the cross section of
6 those three wells. It identifies the lateral interval
7 for the 602 and 603H in green and then the lateral
8 interval for the 801H in blue down in the Wolfcamp D.
9 In his opinion, the orientation of the wells is the
10 preferred orientation for horizontal well development
11 and is appropriate to efficiently and effectively
12 develop this acreage. In his opinion, the granting of
13 COG's application will be in the best interest of
14 conservation, the prevention of waste and the protection
15 of correlative rights.

16 And then finally turning to Exhibit C is an
17 affidavit prepared by me reflecting that our office
18 provided notice to the parties being pooled in this
19 case. And there were some parties whose notice was not
20 able to be confirmed at the time of the hearing, so we
21 also provided proof of publication behind Exhibit D.

22 And so with that, I'd move the admission of
23 Exhibits A, B, C and D, along with their corresponding
24 attachments, into the record.

25 EXAMINER JONES: Exhibits A, B, C, D, along

1 with their corresponding attachments, are admitted.

2 (COG Operating, LLC Exhibit A through D are
3 offered and admitted into evidence.)

4 EXAMINER JONES: This notice -- this is
5 certified notice, right, but you're just doing it online
6 now? You don't have to go to the post office; is that
7 correct?

8 MS. LUCK: So --

9 EXAMINER JONES: So they give you all these
10 printouts that keep track of the status?

11 MS. LUCK: Right. But it's through the
12 USPS. So these tracking numbers are USPS tracking
13 numbers, and it all goes through the postal service, and
14 this shows, you know, whether there was a signature
15 received for the certified mail.

16 EXAMINER JONES: Okay. And so you can log
17 on at any moment in time and have an update to this?

18 MS. LUCK: Yeah. Yeah. So we print these
19 the day before hearing, so we try to have the most
20 up-to-date information so you can see on -- you know,
21 the first party, ConocoPhillips, it still says "In
22 Transit," which might mean that they just haven't signed
23 for it yet. And so that's why we like to provide the
24 Notice of Publication, just to show that even if they
25 weren't able to receive the letter, we still published

1 notice.

2 EXAMINER JONES: Okay. Okay. So you said
3 earlier, the landman testified everybody's locatable,
4 but that doesn't mean they'll pick up their mail; is
5 that right?

6 MS. LUCK: That's right. So that just
7 means that we were able to locate an address for
8 everyone either in the county records or by phonebook
9 searches or other databases that are available to locate
10 persons.

11 EXAMINER JONES: Okay.
12 David, do you have any questions?

13 EXAMINER BROOKS: No questions.

14 EXAMINER JONES: Kathleen?

15 MS. MURPHY: I just have a question, and
16 it's on Tab B3. Is it B or 3? No. It's 3. And it's
17 the where the letter --

18 EXAMINER JONES: A3?

19 MS. MURPHY: A3. So have the other wells
20 already come to hearing?

21 MS. LUCK: No. And so after the
22 application was filed and after these wells were
23 proposed, COG decided not to drill all of the wells that
24 were originally proposed, and so that's why we're only
25 coming to hearing on the 602, 603 and 801. You'll see

1 in the letter that we also proposed a 701, 703 and 702,
2 as well as 601, but we're no longer moving forward with
3 that land.

4 MS. MURPHY: So you sent out new letters or
5 no?

6 MS. LUCK: No. New letters weren't sent
7 out, but we do have updated AFEs that reflect the cost
8 for the wells that were proposed. So those parties did
9 receive the AFE for the wells that are moving forward at
10 this pooling hearing.

11 MS. MURPHY: And so you could add those
12 later if it does well?

13 MS. LUCK: I'm not sure as to what COG's
14 plans are in terms of adding those wells later.

15 MS. MURPHY: Thank you.

16 EXAMINER JONES: Yeah. The practice of
17 using the 600 series for Bone Spring is not followed by
18 everybody. Some people do the 600 series now for
19 Wolfcamp, looks like here.

20 MS. LUCK: Yeah.

21 EXAMINER JONES: And I've seen it before.

22 MS. LUCK: And I think each operator has
23 different numbering and naming conventions.

24 EXAMINER JONES: Okay. Is that it for this
25 case?

1 MS. LUCK: That's it. I'd ask that the
2 case be taken under advisement.

3 EXAMINER JONES: Case 20337 is taken under
4 advisement.

5 MS. LUCK: Thank you.

6 (Case Number 20337 concludes, 11:27 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 2nd day of August 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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