

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 14831

APPLICATION OF COG OPERATING, LLC,  
FOR A NON-STANDARD SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 13-12

BEFORE: RICHARD EZEANYIM, Hearing Officer  
DAVID K. BROOKS, Legal Examiner

APRIL 26, 2012

3:15 PM

Santa Fe, New Mexico

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, RICHARD EZEANYIM,  
Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,  
on THURSDAY, APRIL 26, 2012, at the New Mexico Energy,  
Minerals and Natural Resources Department, 1220 South  
Street Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Lisa Reinicke  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

A P P E A R A N C E S

For COG Operating, LLC:

HOLLAND & HART  
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Santa Fe, New Mexico 87501  
(505) 988-4421  
By: Michael H. Feldewert

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1                   MR. EXAMINER: Okay. Let's go back on the  
2 record and go to our last case. At this point I will  
3 call case number 14831, application of COG Operating,  
4 LLC, for a non-standard spacing and proration unit and  
5 compulsory pooling in Eddy County, New Mexico.

6                   Call for appearances.

7                   MR. FELDEWART: May it please the Examiner,  
8 Michael Feldewart with the Santa Fe office of the law  
9 firm of Holland & Hart appearing on behalf of the  
10 applicant. And I have two witnesses here today.

11                  MR. EXAMINER: Thank you. Any other  
12 appearances? And may the witnesses stand up and state  
13 your name to be sworn, please.

14                  MR. CLARK: Greg Clark.

15                  MR. JOHNSON: Sean Johnson.

16                  [Whereupon the witnesses were duly sworn.]

17                  MR. FELDEWART: Mr. Examiner, I know this is  
18 your last case today, and unfortunately it's just a  
19 straightforward case with no opposition. We'll do our  
20 best to dress it up for you.

21                  MR. EXAMINER: Okay, go ahead.

22

23

24

25

1 SEAN JOHNSON

2 after having been first duly sworn under oath,  
3 was questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. FELDEWART:

6 Q. Would you please state your full name for the  
7 record and then tell the Examiner by whom you are  
8 employed and in what capacity.

9 A. My name is Sean Johnson and I'm a landman for  
10 Concho Resources.

11 Q. Have you previously testified before this  
12 Division?

13 A. Yes, I have.

14 Q. And were your credentials as a petroleum landman  
15 accepted and made a matter of public record?

16 A. Yes, they were.

17 Q. Are you familiar with the application that's been  
18 filed in the case?

19 A. I am.

20 Q. And are you familiar with the status of the lands  
21 in the subject area?

22 A. I am.

23 MR. FELDEWART: Mr. Examiner, I would tender  
24 Mr. Johnson, once again, as an expert in petroleum land  
25 matters.

1 MR. EXAMINER: Mr. Johnson is so qualified.

2 Q. (By Mr. Feldewart) Would you then turn to what's  
3 been marked as COG Exhibit Number 1. And using that  
4 exhibit, would you please identify for the Examiner what  
5 COG seeks with this application.

6 A. Under this application COG Operating, LLC, seeks  
7 two things; first being the proposed non-standard  
8 spacing unit for our Falabella 31 Fee 7H located in the  
9 west half of the east half of township 18 south,  
10 range 26 east in Eddy County, New Mexico. Second,  
11 seeking an approved order for a force pooling of all the  
12 interest owners within the proposed non-standard spacing  
13 unit.

14 Q. And pooling in what formation?

15 A. Pooling the Yeso.

16 Q. And what pool is involved with this particular  
17 application?

18 A. The associated pool would be the Tenasco Draw San  
19 Adres through Yeso associate.

20 Q. Is section 31 comprised of all fee lands?

21 A. Yes, it is.

22 Q. And will the completed interval for this well  
23 comply with all setback requirements under the  
24 horizontal well rules?

25 A. Yes, it will.

1 Q. And through the geologist that's going to appear  
2 here today, will he be presenting a well diagram  
3 demonstrating such?

4 A. He will.

5 Q. Have you, Mr. Johnson, identified the interest  
6 owners in your proposed non-standard spacing unit?

7 A. Yes, I have.

8 Q. Would you turn to what's been marked as COG  
9 Exhibit Number 2. It's a three-page exhibit, so would  
10 you please walk the Examiner -- first identify it and  
11 then walk the Examiner through this three-page exhibit.

12 A. Yes. Exhibit 2 is a land plat of our proposed  
13 Falabella 31 Fee 7H located in the west half of the east  
14 half of section 31. And as you'll see on that first  
15 page that the proposed non-standard spacing unit is  
16 comprised of 11 tracts.

17 If you flip over to the second page, the second  
18 page is just a breakdown of a tract level basis showing  
19 the individual owners and the percentage that they own  
20 in each individual tract. And on the last page is a  
21 unit recap of the 160-acre proposed non-standard spacing  
22 unit showing COG a majority interest of a little over  
23 73 percent working interest in the unit.

24 Q. Okay. Now, staying on that last page, does this  
25 last page identify in any fashion the parties that you

1 actually seek to pool in this case?

2 A. Yes, it does. I've made notations to the side of  
3 four interest owners, indicated by FP for force pool for  
4 the individuals who we're seeking to pool.

5 Q. So in that case it's John Walker?

6 A. Correct.

7 Q. And if you move down the remaining parties are  
8 identified with FP in parentheses?

9 A. That's correct.

10 Q. If we then turn to what's been marked as COG  
11 Exhibit 4, would you identify -- I'm sorry, COG  
12 Exhibit 3. Would you identify this exhibit for the  
13 Examiners?

14 A. Yes. Exhibit Number 3 is our well proposal that  
15 we sent the unleased interest parties saying exactly  
16 where the well is located, informed them that their  
17 interest was going to force pooling April 26th, 2012,  
18 today. And also in lieu of participating in the well,  
19 informed them that COG was ready to acquire their  
20 interest by an oil and gas lease.

21 Q. Now, what has been marked as COG Exhibit  
22 Number 3, is this a sample of the well proposal letter  
23 that was sent to each of the parties to whom you seek to  
24 pool?

25 A. That is correct.

1 Q. And in addition to sending out this letter, what  
2 other efforts has COG undertaken to obtain the voluntary  
3 joinder of these parties?

4 A. We have, we, being myself as an in-house landman  
5 and then also our field landman and our brokers, have  
6 sent out certified AFEs. We've sent out certified lease  
7 offer packages. We've also made phone contacts and also  
8 have had physical contact with immediate family members  
9 of some of the unleased parties.

10 Q. Now, you mentioned the AFE which is attached to  
11 the second page of Exhibit Number 3. I want to look at  
12 that for a minute. Are the costs reflected on this AFE  
13 commensurate with what COG has incurred with drilling  
14 some of the horizontal wells?

15 A. Yes, they are.

16 Q. And are they reflective of costs that you've  
17 incurred with respect to drilling similar horizontal  
18 wells in this particular area?

19 A. Yes, they are.

20 Q. Has a company made an estimate of the overhead  
21 and administrative costs while drilling this well and  
22 also if it is successful?

23 A. We have.

24 Q. And what are those figures?

25 A. The rates that we're requesting are \$5500 while



1 drilling and 550 a month while producing.

2 Q. And are those rates commensurate with what COG  
3 and other operators in this area charge for similar  
4 wells?

5 A. Yes, it is.

6 Q. And have these rates previously been approved by  
7 the Division for similar horizontal wells in this area?

8 A. Yes, they have.

9 Q. In fact, has it been for similar horizontal wells  
10 in this very section?

11 A. Within the same section, yes, it has.

12 Q. Does the company request that these figures be  
13 adjusted in accordance with the COPAS accounting  
14 procedures?

15 A. Yes.

16 Q. And similar to previous pooling orders, does the  
17 company request that the Division impose a 200 percent  
18 charge in the event that you are unable to reach a  
19 voluntary agreement with all of these interest owners?

20 A. Yes, we do.

21 Q. I want to now briefly turn then to the  
22 non-standard spacing unit. Has the company brought a  
23 geologist here today to provide technical testimony and  
24 support of these non-standard units?

25 A. Yes, we have.

1 Q. Did you, Mr. Johnson, identify the leased mineral  
2 interests in the surrounding 40-acre tracts?

3 A. Yes, we have.

4 Q. And did you ensure to include these leased  
5 mineral owners in the notice of this hearing?

6 A. We have.

7 Q. Is COG Exhibit Number 4 an affidavit with the  
8 attached letters providing notice of this hearing to the  
9 affected parties?

10 A. Yes, it is.

11 Q. Were Exhibits 1 through 4 prepared by you or  
12 compiled under your direction or supervision?

13 A. Yes, they were.

14 MR. FELDEWART: Mr. Examiner, at this time I  
15 would move the admission into evidence of COG Exhibits 1  
16 through 4.

17 MR. EXAMINER: COG Exhibits 1 through 4 will  
18 be admitted.

19 [Exhibits 1 through 4 admitted.]

20 MR. FELDEWART: Mr. Examiner, that concludes  
21 my questions for this witness.

22 MR. EXAMINER: Thank you.

23 EXAMINER BROOKS: No questions.

24 MR. EXAMINER: Are you a land person?

25 MR. JOHNSON: Yes, I am.

1 MR. EXAMINER: Did you locate everybody  
2 that's supposed to be located?

3 MR. JOHNSON: We have.

4 MR. EXAMINER: You did?

5 MR. JOHNSON: We have.

6 MR. EXAMINER: So actually there's no need  
7 for force pooling if everybody is knowing, right? You  
8 are only pooling the Yeso formation in that project  
9 area, right?

10 MR. JOHNSON: That is correct.

11 MR. EXAMINER: I will ask the geologist some  
12 other questions so you may be excused.

13 MR. JOHNSON: Thank you.

14 MR. FELDEWART: Mr. Examiner, we call our  
15 second witness.

16 MR. EXAMINER: Okay.

17 GREG CLARK

18 after having been first duly sworn under oath,  
19 was questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. FELDEWART:

22 Q. Would you please state your name for the record  
23 and identify by whom you are employed and in what  
24 capacity.

25 A. Greg Clark, geologist for a Concho.

1 Q. And have you likewise previously testified before  
2 this Commission?

3 A. I have.

4 Q. And you testified here today, correct?

5 A. Correct.

6 Q. And were your credentials as a petroleum  
7 geologist previously accepted and made a matter of  
8 public record?

9 A. Yes, they were.

10 Q. And you conducted a geologic study of the area  
11 that is at issue?

12 A. I have.

13 MR. FELDEWART: Mr. Examiner, I would tender  
14 Mr. Clark again as an expert witness in petroleum  
15 geology.

16 MR. EXAMINER: So qualified.

17 Q. (By Mr. Feldewart) Mr. Clark, please turn to  
18 what's been marked as COG Exhibit Number 5. And  
19 starting with the various colors, would you explain what  
20 this exhibit is and what it shows?

21 A. Sure. Starting with the colors, if you look at  
22 the map legend on the right, we've identified any  
23 Paddock and/or Blinebry producers within this regional  
24 map area. We've also annotated producing fields by  
25 their field names. And if you look at the yellow

1 coloring, that is Concho's acreage, and with the red  
2 representing the Falabella 31 Fee 7H horizontal well in  
3 which we are talking about today.

4 Q. Now, what exactly is this map?

5 A. This map is a structure map, and it is on top of  
6 the Paddock. And its purpose is to give a structural  
7 feel for the area. If you look at the structure map  
8 you'll see the regional dip going from northeast -- or  
9 from northwest to southeast direction. The purpose here  
10 is to show that we are on structural strike with other  
11 producing fields in the area and there are no geologic  
12 impediments that separate us in the Falabella 31 7H area  
13 in which we wish to drill the horizontal well.

14 Q. And have you also, on this map, in a more  
15 pronounced fashion identified the exhibiting horizontal  
16 wells in the area?

17 A. We have. We have made the lateral section of the  
18 horizontal wells that are in the Yeso bold so they'll  
19 stand out a little more to show that there has been  
20 quite a bit of activity in this regional area in which  
21 we feel we are analogous to.

22 Q. Anything else with this exhibit?

23 A. No, sir.

24 Q. Let's then turn to what's been marked as --

25 MR. EXAMINER: I have something.

1 MR. CLARK: Yes?

2 MR. EXAMINER: On that, you are in the  
3 Paddock, right?

4 MR. CLARK: Yes.

5 MR. EXAMINER: There are two horizontals.  
6 Whose are those wells?

7 MR. CLARK: Those are Concho's.

8 MR. EXAMINER: That's your well?

9 MR. CLARK: Yes, sir.

10 MR. EXAMINER: And in that section 32, you  
11 think you're north/south -- I mean east/west?

12 MR. CLARK: That is correct.

13 MR. EXAMINER: And then in the third one is  
14 the north/south?

15 MR. CLARK: That is correct.

16 MR. EXAMINER: Explain.

17 MR. CLARK: As I explained last time, we  
18 feel that the horizontal maximum stress direction is in  
19 a northwest to southeast orientation.

20 MR. EXAMINER: In which section?

21 MR. CLARK: In the regional area.

22 MR. EXAMINER: Okay.

23 MR. CLARK: When you're talking about your  
24 horizontal stress direction it's more regional than  
25 localized.

1 MR. EXAMINER: Right.

2 MR. CLARK: And with that being the case, we  
3 feel that when we complete these wells we get our  
4 maximum completion as long as we're oblique or  
5 perpendicular to what we call ethage max. So either the  
6 east/west or the north/south orientation would be  
7 oblique to a northwest/southeast maximum horizontal  
8 stress direction.

9 MR. EXAMINER: Okay. Because if you look at  
10 section 1 many wells should be drilled there. There are  
11 no vertical wells in that section right now, right?

12 MR. CLARK: Not for the Paddock or the  
13 Blinebry, yes, sir. There are some wells that have been  
14 drilled but they're either deep --

15 MR. EXAMINER: Or shallow.

16 MR. CLARK: -- Morrow, or very shallow, yes,  
17 sir.

18 MR. EXAMINER: Okay. Now you can continue  
19 on.

20 Q. (By Mr. Feldewart) Okay. Then why don't you  
21 turn to what's been marked as COG Exhibit Number 6. And  
22 would you please identify this exhibit for the Examiner  
23 and how it differs from the previous exhibit?

24 A. Sure. This is the same regional area extent of  
25 the map that we just previously looked at. We have

1 stripped away the structure contours in order to show  
2 the line of section, which will be the next exhibit in  
3 which I will talk to. The cross section goes from A to  
4 A prime, which is from south to north. And that's it to  
5 this exhibit.

6 Q. Do you believe that the wells you've chosen here  
7 are representative of the geologic region that you're  
8 looking at?

9 A. Yes, we do.

10 Q. Would you then, I guess, keep your finger on this  
11 exhibit and turn to what's been marked as COG Exhibit 7  
12 and identify it and explain how it relates to COG  
13 Exhibit Number 6.

14 A. Sure. Exhibit Number 7 is a stratigraphic cross  
15 section which is hung on top of the Paddock in order to  
16 take the structure out so we can show the stratigraphic  
17 relationship between the wells that are representative  
18 of the fields that we feel like are analogous in the  
19 area in which we want to drill the horizontal. If you  
20 go from left to right it represents south to north on  
21 the line of section that I showed on the map. So A  
22 being on the left side of the cross section and A prime  
23 being on the right side of the cross section represents  
24 a south to north orientation.

25 Q. And would you then identify what is depicted by



1 each of the colors on here in the various shaded lines?

2 A. Yes, I will. The yellow line is the top of  
3 Glorieta. The red is the Paddock, which is the top of  
4 the Yeso in which we have flattened the cross section on  
5 in order to show the stratigraphic relationship between  
6 the formations. And the blue is the Blinebry. So if  
7 you look at this cross section in an overall sense  
8 you'll see that there's no dramatic thickening or  
9 thickening between the Paddock and the Blinebry which  
10 shows a continuous stratigraphic thickness relationship  
11 from the wells and the fields that we have depicted in  
12 the area.

13 We also show in red where it's bracketed the  
14 lateral interval in the Paddock in which we intend to  
15 land our horizontal wells, which we feel gives us the  
16 best chance at success in terms of production. If you  
17 look at the red on the right of the three logs that show  
18 perforations in the Paddock where these wells have  
19 currently been completed and are producing from the  
20 Paddock.

21 Now, you'll also see where there's three wells  
22 that have not been completed in the Paddock. Those are  
23 deep Morrow gas producing wells and are still producing  
24 in the Morrow and have not been completed in the Yeso,  
25 if it's ever intended to be. But we feel that those

1 wells, in terms of stratographic nature and log  
2 response, are representative also to the area in which  
3 we want to the drill the Falabella 31 7H.

4 Q. Would you then summarize for the Examiner the  
5 conclusions you have drawn from your study?

6 A. Yes. I have concluded that there are no major  
7 geologic impediments or stratographic impediments that  
8 would keep us from developing this project area on full  
9 section horizontals. I also believe that all the  
10 laterals will -- the full sections, the full part of the  
11 lateral will contribute equally to the overall  
12 production of the well, and also feel this is the best  
13 way economically to develop this area using horizontals.

14 Q. And turning then to the last exhibit, COG Exhibit  
15 8, would you please identify this exhibit for the  
16 Examiner?

17 A. Yes. This is a cartoon wellbore completion  
18 schematic. It's not to scale. Its purpose is to  
19 represent where we are going to complete within the full  
20 section horizontals. The solid blue sections -- the  
21 solid blue lines on each end of this diagram represent  
22 the south line of section 31 on the left and the north  
23 line of the section 31 on the right. Below that and  
24 offset to those blue lines are dashed blue lines which  
25 represent the 330 line from said section lines.

1           And if you look to the left where we have the  
2 well name, that's where our well is going to start. Our  
3 surface hole would be 150, 150 feet from the south of  
4 the section line. And then as we go horizontal we will  
5 drill the well to where we will not TD any closer than  
6 330 feet from the north line of section 31. And I've  
7 also depicted a blue solid line after the 330 dashed  
8 line from the section 31 south line representing where  
9 we will not complete past in terms of setting the last  
10 packer, showing that our full completed section of this  
11 horizontal will reside within the setbacks of the  
12 section.

13       Q. In your opinion will the granting of this  
14 application be in the best interest of conservation,  
15 prevention of waste, and protection of correlative  
16 rights?

17       A. I do.

18       Q. Were COG Exhibits 5 through 8 prepared by you or  
19 compiled under your direction or supervision?

20       A. Yes, they were.

21           MR. FELDEWART: Mr. Examiner, I would move  
22 the admission of COG Exhibits 5 through 8.

23           MR. EXAMINER: Exhibits 5 through 8 will be  
24 admitted.

25           [Exhibits 5 through 8 admitted.]

1 MR. FELDEWART: And that concludes my  
2 examination of this witness.

3 MR. EXAMINER: Thank you, Mr. Feldewart.  
4 Mr. Brooks?

5 EXAMINER BROOKS: No questions.

6 MR. EXAMINER: Did we do a newspaper ad for  
7 those interest owners that we didn't locate?

8 MR. FELDEWART: We were able to locate all  
9 the interest owners.

10 MR. EXAMINER: Oh, you were able, okay.  
11 It's going to be a new well?

12 MR. CLARK: Correct.

13 MR. EXAMINER: Okay. I suppose you don't  
14 have any API number for that?

15 MR. CLARK: I believe there has been one  
16 with the APD, but I don't have it with me.

17 MR. EXAMINER: So you have an API number?

18 MR. CLARK: I believe so, yes, sir.

19 MR. EXAMINER: Then you can send it to me  
20 via e-mail.

21 MR. CLARK: Okay.

22 MR. EXAMINER: Anything further,  
23 Mr. Feldewart?

24 MR. FELDEWART: Mr. Examiner, tongue to  
25 cheek, I'm going to say we're going to ask for this as

1 soon as possible. I'm just kidding.

2 MR. EXAMINER: You guys are going to kill  
3 me.

4 MR. FELDEWART: Thank you for your time.  
5 That concludes our presentation.

6 MR. EXAMINER: You wanted to raise my blood  
7 pressure. Okay. At this time case number 14831 has  
8 been taken under advisement. And finally this concludes  
9 the hearing for today. Thank you all for coming.

10 MR. FELDEWART: Thank you.

11 [Case 14831 taken under advisement.]

12 [Docket 13-12 was concluded at 3:38 PM.]

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14831  
heard by me on 11/22/12

Examiner

Oil Conservation Division

## REPORTER'S CERTIFICATE

1  
2  
3 I, Lisa Reinicke, New Mexico Provisional  
4 Reporter, License #P-405, working under the direction  
5 and direct supervision of Paul Baca, New Mexico CCR  
6 License #112, Official Court Reporter for the US  
7 District Court, District of New Mexico, do hereby  
8 certify 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 and  
11 was reduced to printed form under my direct supervision.

12 I FURTHER CERTIFY that I am neither employed by  
13 nor related to any of the parties or attorneys in this  
14 case and that I have no interest whatsoever in the final  
15 disposition of this case in any court.

16

17

18

19



20

Lisa R. Reinicke,  
Provisional License P-405  
License expires: 8/21/2012

21

22 Ex count:

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