

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. 14879

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. 21-12

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

JULY 12, 2012

Santa Fe, New Mexico

10:28 AM

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, JULY 12, 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  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
By: Adam Rankin

I N D E X

PAGE

DIRECT EXAMINATION OF KATAYOUN MOHEBKHOSRAVI  
By Mr. Rankin

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DIRECT EXAMINATION OF GREG CLARK  
By Mr. Rankin

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CERTIFICATE OF COMPLETION OF HEARING

19

EXHIBITS

MARKED/IDENTIFIED

1. Lease Map

9

2. Return Receipt Requests

9

3. Affidavit

9

4. Structure Map

17

5. Cross Section Map

17

6. Cross Section A - A Map

17

7. Completion

17

1 MR. EXAMINER: So at this point we will go  
2 to page 4, and then do case number 14879. I call case  
3 number 14879, application of COG Operating, LLC for a  
4 non-standard spacing and proration unit and compulsory  
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. RANKIN: Thank you, Mr. Examiner. Adam  
8 Rankin with Holland & Hart on behalf of COG. I've got  
9 two witnesses today.

10 MR. EXAMINER: Any other appearances? May  
11 the witnesses stand up and be sworn, please. State your  
12 name, please.

13 MS. MOHEBKHOSRAVI: My name is Katayoun  
14 Mohebkhosravi.

15 MR. CLARK: Greg Clark.

16 [Whereupon the witnesses were duly sworn.]

17 MR. EXAMINER: Mr. Rankin?

18 MR. RANKIN: Thank you, Mr. Examiner.

19 KATAYOUN MOHEBKHOSRAVI

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

22 DIRECT EXAMINATION

23 BY MR. RANKIN:

24 Q. Can you please, for the record, state your name  
25 again and your place of residence?

1       A. Well, my name is Katayoun Mohebkhosravi, but for  
2       simplicity sake I will go by Katie Moheb. And I live in  
3       Midland, Texas.

4       Q. Thank you. And by whom are you employed?

5       A. I'm employed by Concho Resources.

6       Q. And in what capacity?

7       A. As a landman.

8       Q. And have you previously testified before the  
9       division and had you credentials as an expert landman  
10      been accepted by the division?

11      A. Yes.

12      Q. And are you familiar with the application that's  
13      filed in this case?

14      A. Yes, I am.

15      Q. And with the lands as well?

16      A. Yes.

17      Q. And would you please turn to what has been marked  
18      as Exhibit Number 1 in the exhibit packet. Will you  
19      review for the Examiners what this shows?

20      A. Yes. This is a lease map showing our lease in  
21      section 8, specifically showing the well which is the  
22      Bradley 8 Fee Number 3H. It also shows the other wells  
23      in the Yeso area.

24      Q. And what is it that COG is requesting with this  
25      application?

1       A. Well, we are requesting a 160-acre non-standard  
2       spacing unit, and we'd also like to pool all minerals in  
3       that area in the Yeso formation underlying that 160-acre  
4       non-standard spacing unit.

5       Q. And you'd like to designate COG as the operator  
6       of the well and of the unit; is that correct?

7       A. Yes, that's correct.

8       Q. And is there a designated pool that's subject to  
9       this application?

10      A. Yes. It's the Atoka Glorieta Yeso.

11      Q. And the status of the land here is entirely fee;  
12      is that correct?

13      A. Yes, it is fee.

14      Q. And turning to the second page of that exhibit  
15      there's a breakdown of the ownership interest; is that  
16      correct?

17      A. Yes.

18      Q. And how many of the interests on this list remain  
19      uncommitted to the well?

20      A. There are five uncommitted parties.

21      Q. And of those five interests have you been able to  
22      locate or contact everybody on the list?

23      A. Yes. You'll see on your list the ones with  
24      asterisks are five uncommitted parties. We have  
25      received a notice of return from the Ross Eight Bartlett

1 Family Trust. And we also did not receive a green card  
2 back from the Carol Sue Sanford Garrett.

3 Q. And what efforts have you undertaken to locate  
4 these interests? What was your process to find them?

5 A. Well, we had a title opinion rendered by our  
6 attorney. And initially we had mineral ownership  
7 reports created by our brokers, and they have since  
8 updated those. Our brokers also do a pretty thorough  
9 Internet search.

10 Q. And so for Carol Sue Sanford Garrett the  
11 information that you had obtained on her was a lease of  
12 record from 2009; is that correct?

13 A. Yes. We have an oil and gas lease from her.

14 Q. But the information from the property county  
15 trust was a bit older; is that correct?

16 A. Yes, that is correct.

17 Q. Now, in your opinion, has COG made a good faith  
18 effort to locate and contact every interest owner in  
19 this spacing unit?

20 A. Yes, we have.

21 Q. And has COG undertaken a good faith effort to  
22 reach a voluntary agreement with the remaining  
23 uncommitted interests in this property?

24 A. Yes.

25 Q. Ms. Moheb, can you please turn to what has been

1 marked as Exhibit Number 2. And this is a sample well  
2 proposal letter that was sent out to all interests in  
3 the property; is that correct?

4 A. Yes.

5 Q. And is that the AFE that was included with that  
6 letter; is that right?

7 A. Yes.

8 Q. Now, looking at the AFE, are these costs  
9 consistent with what COG has incurred for drilling  
10 similar horizontal wells in the area?

11 A. Yes, it is.

12 Q. And has COG made an estimate of the costs that  
13 will be incurred of the overhead administrative costs  
14 while drilling and while producing if the well is  
15 successful?

16 A. Yes. It is going to be 5,500 per month while  
17 drilling and 550 while producing.

18 Q. Now, are these costs consistent with what COG has  
19 incurred for other wells in the area?

20 A. Yes, this is consistent with all of our other  
21 wells in Lakewood.

22 Q. And does COG request that these figures be  
23 incorporated into any order that results from this  
24 hearing?

25 A. Yes.

1 Q. And does COG also request that these overhead  
2 initiative costs be adjusted in accordance with COPAS  
3 accounting procedures?

4 A. Yes, we do.

5 Q. And does COG also request that the maximum  
6 200 percent risk penalty be assessed against all  
7 uncommitted interests in this well?

8 A. Yes.

9 Q. Now, as far as the formation of the non-standard  
10 units go, have you also brought a geologist to testify  
11 regarding the testimony of the creation of these units.

12 A. Yes, we have.

13 Q. And did COG identify all the leased interests in  
14 the surrounding 40-acre tracts to the proposed unit?

15 A. Yes.

16 Q. And were those interests also noticed of this  
17 hearing?

18 A. Yes, they were all notified.

19 Q. And turning to Exhibit Number 3, is this a copy  
20 of the affidavit prepared by your attorney indicating  
21 that notices were provided to all the offsetting  
22 interests and to the interests within the -- the pooled  
23 interest; is that correct?

24 A. Yes, this is it.

25 Q. And following that page is a list of all those



1 interests, the offsetting interests and the pooled party  
2 interests who received notice and a copy of all the  
3 green card receipts; is that correct?

4 A. That is correct.

5 Q. And with the exception of the Ross Bartlett Trust  
6 indicating that that interest -- that notice was  
7 returned; is that correct?

8 A. Yes.

9 Q. Thank you, Ms. Moheb. Were Exhibits 1 through 3  
10 compiled by you or prepared by you under your  
11 supervision?

12 A. Yes.

13 MR. RANKIN: Mr. Examiner, I move to admit  
14 into evidence Exhibits 1 through 3.

15 MR. EXAMINER: Exhibits 1 through 3 will be  
16 admitted.

17 [Exhibits 1 through 3 admitted.]

18 MR. RANKIN: I have no further questions of  
19 the witness.

20 EXAMINER BROOKS: No questions.

21 MR. EXAMINER: Give me the name of the pool  
22 in the Yeso.

23 MS. MOHEBKHOSRAVI: It's the Atoka Glorieta  
24 Yeso.

25 MR. EXAMINER: You weren't able to locate

1 five. How many -- you located everybody?

2 MS. MOHEBKHOSRAVI: There were two that --  
3 we had one party that we received notice back from them.  
4 It was returned to us for a wrong address. And then  
5 there was another party who the green card was not  
6 returned to us.

7 MR. EXAMINER: And you didn't publish the  
8 notification in the newspaper?

9 MR. RANKIN: They have not been identified  
10 in the newspaper publication.

11 MR. EXAMINER: What?

12 MR. RANKIN: They have not been identified  
13 in a newspaper publication. So one of the green cards  
14 received -- the one green card that we did not receive  
15 back was for an address that was identified in a 2009  
16 lease of record. The other one that was returned to us  
17 as undeliverable and was for an address that was of  
18 record but it was in the 1980s. So that is an older  
19 address, the Garrett or the Bartlett family.

20 MR. EXAMINER: So are you saying we are not  
21 supposed to do a notification because --

22 MR. RANKIN: No. I think we would request  
23 that we continue the case for four weeks so we can  
24 provide notice of publication for the Bartlett family.

25 MR. EXAMINER: Okay. So you would request

1 at the end of this to continue the case for at least two  
2 weeks.

3 MR. RANKIN: Well, the minimum. I think  
4 whatever the division would require. But I think if we  
5 publish it quickly I think we could get it -- is there a  
6 requirement for -- there's no requirement for how long a  
7 notification must be?

8 EXAMINER BROOKS: I believe it's 20 days.

9 MR. EXAMINER: So in that case it would be  
10 continued.

11 EXAMINER BROOKS: It would have to be four  
12 weeks.

13 MR. RANKIN: So that would be August 9th; is  
14 that correct?

15 MR. EXAMINER: So you want to continue the  
16 case today and then continue it for four weeks?

17 MR. RANKIN: That's correct.

18 MR. EXAMINER: Okay. You may step down.

19 Call your next witness.

20 MR. RANKIN: Thank you, Mr. Examiner. My  
21 next witness is Mr. Greg Clark.

22 GREG CLARK

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

25 DIRECT EXAMINATION

1 BY MR. RANKIN:

2 Q. Can you please state your name for the record?

3 A. Yes, Greg Clark.

4 Q. And by whom are you employed and where do you  
5 reside?

6 A. Concho, Midland, Texas.

7 Q. And in what capacity do you work for Conoco?

8 A. A geologist.

9 Q. And have you previously testified before the  
10 division?

11 A. I have.

12 Q. And have your credentials as a petroleum  
13 geologist been accepted as a matter of record?

14 A. They have.

15 Q. And are you familiar with the application filed  
16 in this case?

17 A. I am.

18 Q. And have you conducted a geologic study of the  
19 area?

20 A. Yes.

21 MR. RANKIN: Mr. Examiner, I would tender  
22 Mr. Clark as an expert in petroleum geology.

23 MR. EXAMINER: Mr. Clark is so qualified.

24 MR. RANKIN: Thank you, Mr. Examiner.

25 Q. (By Mr. Rankin) Mr. Clark, could you please turn

1 to what's been marked as Exhibit Number 4 and please  
2 review for the Examiners what it depicts.

3 A. Yes. This is a regional structure map on top of  
4 the Paddock, which is the top of the Yeso in the area.  
5 We've identified offset producing fields. Also we have  
6 identified Paddock producers and/or Blinebry producers  
7 with Paddock being color coded red and Blinebry  
8 producers being color coded blue. The yellow depicts  
9 our Concho acreage in this section in which we are  
10 proposing to drill the Bradley 8 Fee Number 3H.

11 And we've also identified the surface hole and  
12 bottom hole location. The purpose of this structure map  
13 is to show that there is no major geologic impediments  
14 that would separate us from producing fields that we  
15 feel are analogous to where we are proposing to drill  
16 this well. We have a regional dip that goes in the  
17 direction from the northwest to the southeast. And  
18 we've also highlighted various horizontal wells in the  
19 area that have been drilled and are producing in the  
20 Yeso.

21 MR. EXAMINER: How many of them belong to  
22 you? How many of those horizontal wells belong to you?

23 MR. CLARK: Out of all of these?

24 MR. EXAMINER: Yeah.

25 MR. CLARK: You know, I would have to get

1 back with you on that unless you want me to try to count  
2 them all right now.

3 MR. EXAMINER: No, no, no. You don't have  
4 to do that.

5 MR. CLARK: In the Lakewood area in which we  
6 are drilling or proposing the Bradley Fee Number H there  
7 are one, two, three, four, five, six that we have  
8 drilled, and we have a seventh that we are currently  
9 drilling right now.

10 MR. EXAMINER: And they are north/south?

11 MR. CLARK: They are north/south and  
12 east/west oriented.

13 MR. EXAMINER: Okay.

14 Q. (By Mr. Rankin) Mr. Clark, turning to your next  
15 exhibit, Exhibit 5, this is an overview of a cross  
16 section; is that correct? Can you please review what  
17 this shows?

18 A. Sure. This is the same regional area. Extent  
19 map is a structure map with the structure contours taken  
20 off. The main purpose of this map is to show the line  
21 of cross section, which will be the next exhibit that we  
22 will go through. And the cross section is oriented on  
23 the south from A to the north to A prime.

24 Q. And turning to the next exhibit, Mr. Clark, is  
25 the cross section that you reference. Can you review

1 for the Examiners what this cross section shows?

2 A. Yes. Again, this is a regional cross section  
3 map. It's a stratigraphic cross section map which is  
4 hung on top of the Paddock. The structure component has  
5 been taken out in order to show the stratigraphic  
6 relationship from the cemetery field, which is at the  
7 left of the cross section, which is the A to the Dayton  
8 field, which is A prime and to the north.

9 If you look at these wells, the red rectangles on  
10 the right side of the logs depict perforated intervals  
11 within the Yeso formation. And there are two wells, the  
12 well to the left and the well to the right -- or the  
13 third from the left that you'll notice have not been  
14 completed in the Paddock Yeso interval, and that is  
15 because they are deep Morrow producing gas wells and  
16 have yet to be recompleted into that interval.

17 You'll see where we have a bracket on the second  
18 well from the left, which shows the lateral interval in  
19 which we plan on going horizontal. And the arrow also  
20 depicts that same interval. The overall purpose of this  
21 cross section is to show that there's no major  
22 stratigraphic thickening or thinning as we go across the  
23 area regionally, therefore, making us feel that where we  
24 are proposing to drill the Bradley is analogous  
25 throughout the region in terms of stratigraphy and the

1 Paddock interval.

2 Q. Thank you, Mr. Clark. Now, based on your  
3 geologic analysis and study of the area and the proposed  
4 unit, what conclusions have you reached regarding the  
5 proposed horizontal well?

6 A. I have found that there are no geologic  
7 impediments to keep us from developing this area using a  
8 full section horizontal. I feel that we can efficiently  
9 and economically develop this by using horizontal wells,  
10 this area. And also based on my geologic analysis I  
11 conclude that each 40-acre unit that would comprise the  
12 proposed non-standard unit well will, on average,  
13 contribute equally to the overall production of the  
14 well.

15 Q. Now, turn to the last exhibit, which is marked  
16 Exhibit Number 7. This is a wellbore schematic of the  
17 proposed well and it demonstrates that the interval that  
18 will be producing is within 330 setbacks required by the  
19 division rules; is that correct?

20 A. That is correct.

21 Q. Mr. Clark, based on your analysis in your study,  
22 in your opinion, will the granting of COG's application  
23 be in the best interest of the prevention of waste and  
24 the protection of correlative rights?

25 A. Yes.



1 Q. And were COG Exhibits 6 through 9 prepared by you  
2 or under your supervision?

3 A. They were.

4 MR. RANKIN: Mr. Examiner, I move to enter  
5 into evidence Exhibits 6 through 9.

6 MR. EXAMINER: Exhibits 6 through 9 will be  
7 admitted.

8 [Exhibits 6 through 9 admitted.]

9 MR. RANKIN: And I pass the witness. I have  
10 no further questions.

11 MR. EXAMINER: Any questions?

12 EXAMINER BROOKS: No questions.

13 MR. EXAMINER: Does anybody have an API  
14 number for this one?

15 MR. CLARK: It's on the very front of the --  
16 on the very first page, the cover page.

17 MR. EXAMINER: Oh, okay. Very good. Yeah,  
18 you may step down.

19 MR. RANKIN: Thank you, Mr. Examiner.

20 MR. EXAMINER: This case -- because you need  
21 to do some publication, right? Mr. Rankin?

22 MR. RANKIN: That's correct.

23 MR. EXAMINER: Yeah, because of that this  
24 case will be continued for four weeks.

25 EXAMINER BROOKS: Yeah, that would be August

1 9th.

2 MR. EXAMINER: August 9th. So the case will  
3 be continued until August 9th, at which point the  
4 counsel will provide the notice requirements.

5 [Case 14879 continued until August 9, 2012.]

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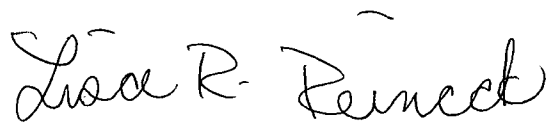
I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14879  
heard by me on August 9, 2012  
[Signature]  
Oil Conservation Division Examiner

## REPORTER'S CERTIFICATE

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I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

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

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

Ex count: