

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

5 APPLICATION OF COG OPERATING, LLC  
6 FOR A NONSTANDARD SPACING AND  
7 PRORATION UNIT AND COMPULSORY  
8 POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 14886

ORIGINAL

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS  
10 EXAMINER HEARING

11  
12 BEFORE: DAVID K. BROOKS, Chief Examiner  
13 RICHARD EZEANYIM, Technical Examiner

2012 NOV -8 A 9:08  
RECEIVED OGD

14 October 18, 2012  
15 Santa Fe, New Mexico

16  
17  
18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, David K. Brooks,  
20 Chief Examiner, and Richard Ezeanyim, Technical  
21 Examiner, on Thursday, October 18, 2012, at the New  
22 Mexico Energy, Minerals and Natural Resources  
23 Department, 1220 South St. Francis Drive, Porter Hall,  
24 Room 102, Santa Fe, New Mexico.

25 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

1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

3 MICHAEL H. FELDEWERT, ESQ.  
4 HOLLAND & HART  
5 110 North Guadalupe, Suite 1  
6 Santa Fe, New Mexico 87501  
7 (505) 988-4421  
8 mfeldewert@hollandhart.com

9 FOR DEVON ENERGY PRODUCTION COMPANY:

10 JAMES G. BRUCE, ESQ.  
11 Post Office Box 1056  
12 Santa Fe, New Mexico 87504  
13 (505) 982-2043  
14 jamesbruc@aol.com

15 INDEX PAGE

16	COG Operating, LLC's Case-in-Chief:	
17	Witnesses:	
18	Caleb Hopson:	
19	Direct Examination by Mr. Feldewert	4
20	Cross-Examination by Examiner Brooks	11
21	Ward A. Whiteman:	
22	Direct Examination by Mr. Feldewert	12
23	Hearing Concluded	20
24	Certificate of Court Reporter	21

25 EXHIBITS OFFERED AND ADMITTED

26	COG Exhibit Numbers 1 through 5	11
27	COG Exhibit Numbers 6 through 8	19

1 (8:56 a.m.)

2 EXAMINER BROOKS: You said Case Number 13  
3 was to be the next one, Mr. Feldewert, 14886?

4 MR. FELDEWERT: Yes.

5 EXAMINER BROOKS: At this time we'll call  
6 Case Number 14886, application of COG Operating, LLC for  
7 a nonstandard spacing and proration unit and compulsory  
8 pooling, Lea County, New Mexico.

9 MR. FELDEWERT: Mr. Examiner, Michael  
10 Feldewert of the Santa Fe office of Holland & Hart  
11 appearing for COG Operating, LLC, and we have two  
12 witnesses here today.

13 EXAMINER BROOKS: Okay. Let's see.

14 MR. BRUCE: Mr. Examiner --

15 EXAMINER BROOKS: Yes.

16 MR. BRUCE: -- Jim Bruce of Santa Fe  
17 representing Devon Energy Production Company.

18 EXAMINER BROOKS: Very good. Do you have  
19 witnesses?

20 MR. BRUCE: No, we have no witnesses.

21 EXAMINER BROOKS: The witnesses should be  
22 sworn, then, please.

23 (Witnesses sworn.)

24 EXAMINER BROOKS: Call your first witness.

25 MR. FELDEWERT: Mr. Caleb Hopson.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CALEB HOPSON,

after having been previously sworn under oath, was questioned and testified as follows:

DIRECT EXAMINATION

BY MR. FELDEWERT:

Q. Mr. Hopson, would you please state your name for the record, and then identify by whom you are employed and in what capacity?

A. My name is Caleb Hopson, employed by COG Operating, LLC.

Q. And have you previously testified before this Division?

A. No, sir.

Q. Would you then provide the Examiners with your educational background?

A. Yes, sir. After graduating high school in 2007, I attended Texas Tech University from May 2007, graduated in December 2010 with a Bachelor's Degree in Energy Commerce.

Q. And then once you graduated in -- was it December of 2010?

A. December of 2010.

Q. What has been your work history since December of 2010?

A. After graduating from Texas Tech University, I

1 started working with COG Operating, LLC effective  
2 January 31, 2011.

3 Q. In what capacity?

4 A. As a landman working the Delaware Basin assets,  
5 primarily southeastern New Mexico.

6 Q. And have you held that position since January  
7 of 2011?

8 A. Yes, sir.

9 Q. Are you, Mr. Hopson, a member of any  
10 professional organizations?

11 A. Yes, sir. I'm a member of the AAPL, the  
12 American Association of Professional Landmen; the PBLA,  
13 the NMLA, and I've been a student member of the AAPL for  
14 my time at Texas Tech. I'm now an active member in the  
15 AAPL. And the PBLA and the NMLA, I've been a member of  
16 those associations going on two years.

17 Q. And are you familiar with the application that  
18 has been filed in this particular case?

19 A. Yes, sir.

20 Q. And have you studied and become familiar with  
21 the status of the lands in the subject area?

22 A. Yes, sir.

23 MR. FELDEWERT: Mr. Examiner, I would  
24 tender Mr. Hopson as an expert witness in petroleum land  
25 management.

1 EXAMINER BROOKS: So qualified.

2 Q. (BY MR. FELDEWERT) Mr. Hopson, would you turn  
3 to what's been marked as COG Exhibit Number 1?

4 A. Yes, sir.

5 Q. And would you identify this for the Examiner,  
6 and then explain what the company seeks under this  
7 application?

8 A. Excuse me. I believe I have the wrong exhibit.

9 Q. There you go (indicating). Okay.

10 A. Okay. This is Section 6 of Township 19 South,  
11 32 East, Lea County, New Mexico. We are seeking to  
12 create a 160-acre nonstandard spacing unit, as well as  
13 applying for a compulsory pooling order governing the  
14 north half-north half of Section 6, Township 19 South,  
15 32 East in Lea County, New Mexico.

16 We're proposing to drill our Haas 6 Fed Com  
17 1H well in the north half-north half of that section,  
18 with the surface hole location in Unit A and the bottom  
19 hole location in Unit D. This will be a Bone Spring  
20 Formation well.

21 Q. What pool is involved with this application?

22 A. The pool is the Lusk-Bone Spring North pool.

23 Q. And what's the status of the lands in the north  
24 half of Section 6?

25 A. They are all federal leased acreage.

1 Q. Now, we then turn to what's been marked as COG  
2 Exhibit Number 2. Does this exhibit, Mr. Hopson,  
3 provide an ownership breakdown of the north half of the  
4 north half of Section 6?

5 A. Yes, sir.

6 Q. And the first page of this exhibit identifies  
7 the federal leases that are involved, correct?

8 A. Yes, sir.

9 Q. If we then turn to the second page of this  
10 exhibit, this provides the ownership breakdown by tract,  
11 and then at the bottom of this exhibit, it provides  
12 ownership breakdown for this north half-north half  
13 proposed unit?

14 A. That is correct.

15 Q. How many of the interest owners on the bottom  
16 part of page 2 remain uncommitted to this well?

17 A. That would be all except three.

18 Q. And who are the three that are committed?

19 A. The three committed is COG Operating, LLC;  
20 Concho Oil & Gas, LLC; and SES Investments, Limited.

21 Q. Has SES Investments, Limited signed a joint  
22 operating agreement with Concho?

23 A. They have.

24 Q. Then turn to what's been marked as COG Exhibit  
25 Number 3. Is this the well proposal letter that was

1 sent by the company for these working interest owners?

2 A. That is correct.

3 Q. And it contains an AFE for the project; does it  
4 not?

5 A. Yes, sir.

6 Q. Now, you mentioned that the company has  
7 acquired -- or signed a JOA with SES Investments,  
8 Limited. What additional efforts has the company  
9 undertaken to obtain voluntary joinders of the remaining  
10 interest owners of this proposed unit?

11 A. COG Operating, LLC flew down to Oklahoma City  
12 last month to visit with Devon Energy to discuss well  
13 orientation. The meeting was successful. We determined  
14 what orientation was best, drilling lay-downs going east  
15 to west. They had no objection to that matter.

16 Since that meeting, I've contacted the  
17 majority of the working interest partners in this well  
18 and informed them that Devon and COG had settled their  
19 differences; however, COG would move forward with this  
20 hearing to apply for a nonstandard spacing unit and  
21 compulsory pooling order. Every partner I have talked  
22 to has no objection as to that process, and they asked  
23 that I would inform them of the outcome after this  
24 hearing.

25 Q. Now, if we can then turn to the third and

1 fourth pages of COG Exhibit Number 3, that contains the  
2 AFE that was sent to the working interest owners; is  
3 that correct?

4 A. That is correct.

5 Q. Are the costs that are reflected on the last  
6 page of Exhibit Number 3 consistent with what COG has  
7 incurred concerning similar wells to this formation?

8 A. Yes, sir.

9 Q. And has the company made an estimate of  
10 overhead and administrative costs while drilling this  
11 well to the Bone Springs Formation and while producing,  
12 if it is successful?

13 A. We have.

14 Q. And what are those costs?

15 A. The overhead cost for the drilling is \$6,500.  
16 The overhead cost for producing is \$650.

17 Q. Are these costs consistent with what COG and  
18 other operators in this area would charge for similar  
19 wells in the Bone Spring Formation?

20 A. Yes, sir.

21 Q. And does the company request that these figures  
22 be incorporated in any order and that they be adjusted  
23 in accordance with the COPAS accounting procedures?

24 A. We do.

25 Q. Turning now to the nonstandard unit, has the

1 company brought a geologist to provide technical  
2 testimony supporting this nonstandard unit?

3 A. We have.

4 Q. Has the company identified the leased mineral  
5 owners in the 40-acre tracts surrounding the proposed  
6 nonstandard unit?

7 A. Yes, sir.

8 Q. And did the company include these known leased  
9 mineral owners in the notice of this hearing?

10 A. Yes, sir.

11 Q. If you can turn, then, to what's been marked as  
12 COG Exhibit Number 4. Is this an affidavit with  
13 attached letters providing notice of this hearing to the  
14 following parties?

15 A. Yes, sir.

16 Q. Turn, then, to Exhibit Number 5. Is this an  
17 Affidavit of Publication for this hearing?

18 A. Yes, sir.

19 Q. Now, were you able to obtain addresses for all  
20 of the affected parties at the time this application was  
21 filed?

22 A. No, sir, I was not.

23 Q. And were there three owners in the offsetting  
24 tracts that you were unable to locate?

25 A. Yes, sir.

1 Q. And have those three owners been notified by  
2 name in the notice of publication that has been marked  
3 as Exhibit Number 5?

4 A. Yes, sir.

5 Q. Mr. Hopson, were Exhibits 1 through 5 prepared  
6 by you or compiled under your direction or supervision?

7 A. Yes, sir.

8 MR. FELDEWERT: Mr. Examiner, I'd move for  
9 admission into evidence of COG Exhibits 1 through 5.

10 EXAMINER BROOKS: 1 through 5 are admitted.  
11 (COG Exhibit Numbers 1 through 5 were  
12 offered and admitted into evidence.)

13 MR. FELDEWERT: That concludes my  
14 examination of this witness.

15 EXAMINER BROOKS: Mr. Bruce?

16 MR. BRUCE: I have no questions.

17 CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Okay. This is to be pooled only in the  
20 Lusk-Bone Spring -- North Lusk-Bone Spring pool?

21 A. That is correct.

22 Q. I see you say "Bone Spring Lime" here. This is  
23 a carbonate formation that you're targeting and not any  
24 of the Bone Springs Sands that we're usually accustomed  
25 to seeing?

1           A.    I would ask that my geologist speak to that  
2 matter.

3           Q.    Of course.  That's a geologic question.

4                   EXAMINER BROOKS:  I have nothing further.

5                   EXAMINER EZEANYIM:  I have no questions.

6                   MR. FELDEWERT:  Call our next witness.

7                               WARD A. WHITEMAN,

8           after having been previously sworn under oath, was  
9           questioned and testified as follows:

10                               DIRECT EXAMINATION

11   BY MR. FELDEWERT:

12           Q.    As one of the new people, would you please  
13 state your full name for the record, by whom you're  
14 employed and in what capacity?

15           A.    Yes.  My name is Ward Whiteman.  I'm a  
16 geologist with COG Operating, LLC, in Midland, Texas.

17           Q.    Mr. Whiteman, since you have not previously  
18 testified before the Division, would you provide the  
19 Examiners with your educational background?

20           A.    Sure.  After graduating high school, I went to  
21 the Colorado School of Mines.  I graduated with a  
22 Bachelor of Science in Geological Engineering in 1990.  
23 I went back to Colorado School of Mines and got a  
24 master's in geology, Master of Science in Geology, in  
25 1993.

1 Q. Would you then outline your work history since  
2 1993, when you obtained your master's in geology?

3 A. Sure. Upon graduation, I went to work for  
4 Meridian Oil, which became Burlington Resources. I  
5 spent ten years -- first ten years there working various  
6 basins in the Rocky Mountains. In 2003, I moved over to  
7 Mid-Continent Group, started working the Anadarko Basin.

8 And in 2006, of course, Burlington was  
9 acquired by ConocoPhillips. And in 2009, I left  
10 ConocoPhillips and went to work for COG Operating. I  
11 work the Permian Basin properties and have spent the  
12 last year and a half working primarily the Delaware  
13 Basin.

14 Q. And are you a member, Mr. Whiteman, of any  
15 professional organizations?

16 A. Yes. I'm a member of the American Association  
17 of Petroleum Geologists, AAPG. I've been a member there  
18 for over 20 years. I'm also a member of the Rocky  
19 Mountain Association of Geologists, RMAG, for over ten  
20 years. And then the West Texas Geological Society,  
21 WTGS, I've been a member there over two years.

22 Q. And have you had the opportunity to testify as  
23 an expert before any other state regulatory agencies in  
24 the oil and gas field?

25 A. Yes, I have. In my time working with

1 Mid-Continent, Anadarko Basin, I've testified in front  
2 of the Oklahoma Corporation Commission.

3 Q. As an expert in petroleum geology?

4 A. Yes.

5 Q. Are you familiar with the application that's  
6 been filed in this case?

7 A. Yes, I am.

8 Q. And have you conducted a geologic study of the  
9 lands that are the subject of this application?

10 A. Yes, I have.

11 MR. FELDEWERT: Mr. Examiner, I would  
12 tender Mr. Whiteman as an expert witness in petroleum  
13 geology.

14 EXAMINER BROOKS: He is so qualified.

15 Q. (BY MR. FELDEWERT) If you would, Mr. Whiteman,  
16 turn to what's been marked as COG Exhibit Number 1.  
17 Identify that and walk the Examiner through that  
18 exhibit, please.

19 A. Sure. This is a map in the area of interest  
20 right on the edge of the Lea-Eddy County line, Section  
21 6. There you can see the north half of the north half  
22 area of interest in 19 South, 32 East, and constructed  
23 this map on top of the Bone Spring Lime, which is the  
24 top of the Bone Spring Formation. It's a good marker to  
25 contour and a good marker to pick. So we picked that,

1     contoured that, and that's what's reflected on this map.  
2     The contour interval is 100 feet, and you can see you  
3     have kind of a gentle uniform dip, updip to the  
4     northwest, a downdip to the southeast. The orientation  
5     of the Haas 6 Fed Com #1H is in the northeast-  
6     northeast -- and we're drilling back towards the west,  
7     so we're drilling slightly updip.

8           Q.     Your intervals here are what, about 100-foot?

9           A.     100-foot, yes.

10          Q.     And in back of this is also the Lime Structure  
11     Map simply because you hung it on the Lime Subsea?

12          A.     Yeah, very top of the Bone Spring.

13          Q.     Then turn to what's been marked as COG Exhibit  
14     Number 6, please. Would you identify this exhibit, and  
15     walk the Examiners through it, please?

16          A.     Okay. Same geographic area in the area of the  
17     Haas. What I did here was take the available well  
18     control that we had in the area, and we looked at the  
19     logs, calculated an estimated net pay for the 2nd Bone  
20     Spring Sand interval, which is our primary target, and  
21     calculated that. You can see the values underneath each  
22     wellbore where we had data to do so.

23          Q.     Is that reflected in orange?

24          A.     Those are the orange numbers below the well  
25     symbols, yes. Thank you.

1                   The contours then reflect what we expect to  
2 see in terms of net pay in this area, specifically the  
3 north part of Section 6.

4           Q.    Why did you focus on the 2nd Bone Spring Sand?

5           A.    The 2nd Bone Spring Sand is our primary target,  
6 the Haas Fed Com #1H.

7           Q.    Now, the wells that you have chosen on here, do  
8 you believe -- for your cross section, do you believe  
9 they are representative of production from the wells in  
10 the area?

11          A.    Yeah. They're a representative section of the  
12 2nd Bone Spring, yes.

13          Q.    Any more with this exhibit?

14          A.    Just make a note of the line of section on this  
15 exhibit is the wells to be shown in the next exhibit.

16          Q.    That's the A to A prime.

17                   We then turn to -- actually, leave this  
18 where it is, and go to the next exhibit, which is a  
19 larger map --

20          A.    Correct.

21          Q.    -- marked as COG Exhibit Number 7. First off,  
22 Mr. Whiteman, does COG Exhibit Number 7 correspond,  
23 then, to the A to A prime that is shown on COG Exhibit  
24 Number 6?

25          A.    Yes, that is correct.

1 Q. With that understanding, would you please walk  
2 the Examiners through -- explain -- first identify COG  
3 Exhibit Number 6, and then walk the Examiners through  
4 it, please.

5 A. Okay. This is the line section shown on  
6 Exhibit 6, and what you have here are four control  
7 levels [sic] that we have in the area just north of the  
8 proposed location and various log control that we have.  
9 We focused in on the 2nd Bone Spring. The SBSG is the  
10 top of the 2nd Bone Spring Sand that we see. We marked  
11 the base.

12 And then between the wells, in this yellow  
13 stipple color, I've highlighted that section of interest  
14 that we're targeting for the Haas 6 Fed Com 1H.

15 Q. Now, looking on this map, what is your target  
16 interval?

17 A. All right. The target interval, you can see,  
18 is that whole stipple area, but our primary is focused  
19 for our landing point. If you look at the second well  
20 from the right, the Tenneco oil well, we are targeting  
21 an approximately equivalent zone in that well of 9260.  
22 We correlate that zone back to the west, and these other  
23 wells continue consistently across this whole area  
24 (indicating).

25 Q. Anything more on this exhibit?

1           A.    No, sir.

2           Q.    Based on your examination and study, what  
3 conclusions have you drawn, Mr. Whiteman?

4           A.    Based on the map and the cross section here, we  
5 have a very nice thick section of 2nd Bone Spring Sand  
6 to target here. It looks consistent across the north  
7 part of Section 6 here, and that's why we've identified  
8 that as the main target for this well.

9           Q.    Have you identified -- have you observed any  
10 geologic impediment to developing this area using full  
11 section horizontal wells?

12          A.    No, I have not.

13          Q.    Do you believe that this is an area that can be  
14 efficiently and economically developed by horizontal  
15 wells?

16          A.    Yes.

17          Q.    And would you expect that the proposed project  
18 area, on average, will contribute equally to the well's  
19 production?

20          A.    Yes, I do.

21          Q.    Finally, then, turn to COG Exhibit Number 8.  
22 Is this a well diagram that the company has put  
23 together?

24          A.    Yes, it is.

25          Q.    And will the completed interval for this well

1     comply with all the setback requirements under the  
2     Division's rules?

3             A.     Yes, it will.

4             Q.     And is that reflected on Exhibit Number 8?

5             A.     Yes, it is.

6             Q.     In your opinion, will the granting of this  
7     application be in the best interest of conservation and  
8     the prevention of waste and the protection of  
9     correlative rights?

10            A.     Yes, it will.

11            Q.     Were Exhibits 6 through 8 prepared by you or  
12     compiled under your direction and supervision?

13            A.     Yes, they were.

14                   MR. FELDEWERT:   Mr. Examiner, I would move  
15     the admission into evidence of Exhibits 6 through 8.

16                   EXAMINER BROOKS:   6 through 8 are admitted.

17                             (COG Exhibit Numbers 6 through 8 were  
18                             offered and admitted into evidence.)

19                   MR. FELDEWERT:   That concludes my  
20     examination of this witness.

21                   EXAMINER BROOKS:   I have no questions.

22                             Mr. Ezeanyim?

23                   EXAMINER EZEANYIM:   No questions.

24                   THE WITNESS:   Thank you.

25                   MR. FELDEWERT:   That concludes our

1 presentation.

2 EXAMINER BROOKS: Very good. Then Case  
3 Number 14886 will be taken under advisement.

4 (The hearing concluded, 9:17 a.m.)  
5  
6  
7  
8  
9  
10  
11

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14886  
heard by me on 10-18-12.

David K. Brooks Examiner  
Oil Conservation Division

12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified  
6 Court Reporter No. 20, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and that  
9 the foregoing pages are a true and correct transcript of  
10 those proceedings that were reduced to printed form by  
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately reflects  
14 the exhibits, if any, offered by the respective parties.

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

19

*Mary C. Hankins*

20

MARY C. HANKINS, CCR, RPR  
Paul Baca Professional Court Reporters  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2012

21

22

23

24

25