

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

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

CASE NO. 14911

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS
11 EXAMINER HEARING

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

14 October 18, 2012

15 Santa Fe, New Mexico

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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

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(8:20 a.m.)

EXAMINER BROOKS: At this time, we will call the application of COG Operating, LLC for a nonstandard -- we'll call Case Number 14911, application of COG Operating, LLC for a nonstandard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.

Call for appearances.

MR. FELDEWERT: Mr. Examiner, Michael Feldewert from the Santa Fe office of the law office of Holland & Hart, appearing on behalf of the Applicant, COG Operating, LLC.

I have two witnesses here today.

If I may approach?

EXAMINER BROOKS: Thank you.

MR. FELDEWERT: Shall we have the two witnesses sworn?

EXAMINER BROOKS: Yes, please.

Would the witnesses please stand and identify themselves for the record?

MR. DIRKS: Stuart Dirks.

MR. CLARK: Greg Clark.

(Witnesses sworn.)

EXAMINER BROOKS: Call your first witness.

MR. FELDEWERT: Yes, Mr. Examiner.

1 Mr. Dirks.

2 STUART DIRKS,

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

5 DIRECT EXAMINATION

6 BY MR. FELDEWERT:

7 Q. Would you please state your name and then
8 identify by whom you are employed and in what capacity,
9 please?

10 A. My name is Stuart Dirks. I'm employed with COG
11 Operating, LLC in Midland, Texas as a landman.

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

14 A. Yes, I have.

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

17 A. Yes.

18 Q. Are you familiar with the application that has
19 been filed in this matter?

20 A. Yes, I am.

21 Q. Are you familiar with the status of the lands
22 in the subject area?

23 A. Yes, I am.

24 Q. And would you please turn to what's been marked
25 as COG Exhibit Number 1? And using that, would you

1 identify for the Examiners what the company seeks with
2 this application?

3 A. Highlighted in yellow is Section 1 of 19 South,
4 25 Northeast in Eddy County. We seek to form a 160-acre
5 nonstandard spacing unit and proration unit covering the
6 north half of the north half of Section 1. We also seek
7 to pool all mineral interest in the Yeso Formation
8 within our proposed unit.

9 Q. Mr. Dirks, what well will be initially
10 dedicated to this nonstandard unit?

11 A. The Clydesdale 1 Fee #1H.

12 Q. And what will be the orientation of that well?

13 A. From east to west.

14 Q. And will you have a standard penetration point
15 in Unit A, as well as a standard bottom hole location?

16 A. The surface location will penetrate at a
17 standard location -- penetrate the formation at a
18 standard location. And, yes, the bottom hole is a
19 standard location.

20 Q. And what pool is involved with this particular
21 application?

22 A. The Penasco Draw.

23 Q. And what is the status of the lands in this
24 particular area?

25 A. They're all fee lands.

1 Q. Then turn to what's been marked as COG Number

2 2. Does this identify the lease donors in each tract of
3 the north half of the north half of Section 1?

4 A. Yes, that's correct.

5 Q. Now, first off, how many of the lessees that
6 are shown on here remain uncommitted to this proposed
7 well?

8 A. Only one.

9 Q. And which company is that?

10 A. That is OXY-Y1 Company.

11 Q. And then have you -- you also note on here that
12 there was some open acreage; is that correct?

13 A. That's correct.

14 Q. Have you been able to identify the owners in
15 this open acreage?

16 A. Yes, I have.

17 Q. And were you able to secure -- or was the
18 company able to secure leases from some of the minerals
19 owners in this open acreage?

20 A. We've secured almost 50 leases within our
21 proposed unit.

22 Q. And if I turn to what's been marked as COG
23 Exhibit Number 3, is that a sample of the well proposal
24 letter that was sent to the interest owners in the
25 proposed nonstandard unit?

1 A. Yes, it is.

2 Q. And it contains an AFE; does it not?

3 A. Yes, it does.

4 Q. If we then turn to what's been marked as COG
5 Exhibit Number 4, is this, Mr. Dirks, a list of the
6 mineral owners in the nonstandard unit that you have
7 been unable to locate and, therefore, obtain a lease
8 from?

9 A. That's correct.

10 Q. Was notice -- and it also shows, does it not,
11 their percentage interest in the well or in the
12 nonstandard well in issue?

13 A. Yes, it does.

14 Q. Was the notice of this hearing provided by
15 publication to this subset of interest owners that you
16 have been unable to locate?

17 A. All except for one.

18 Q. Which one is that?

19 A. That was the estate of Rufus Rand.

20 Q. And what occurred with respect to that
21 particular estate that caused notice not to be provided?

22 A. His interest did not appear on our takeoffs
23 when we first sent out the well proposals. Once we
24 received the title opinion, that's when we found his
25 interest. We do have a lease from an H.C. Rand, and we

1 got these two interests confused, but, in fact, they are
2 separate and unrelated interests.

3 Q. And does the company intend to provide
4 additional notice by publication to the estate of Rufus
5 Rand to address this very small interest in this
6 nonstandard unit?

7 A. Yes, we do.

8 Q. Now, with respect to the remaining interest
9 owners shown on this list, notice was provided by
10 publication?

11 A. Yes.

12 Q. And if you turn to what's been marked as COG
13 Exhibit Number 5, it contains, does it not, two notices
14 of publication in the newspaper of general circulation
15 of the daily press on September 27, on the second page,
16 and October 7th, on the first page, correct?

17 A. Yes.

18 Q. And the individuals that we just went through
19 on the prior list are actually listed by name, or their
20 estates, in these notices of publication?

21 A. Yes, they are.

22 Q. Then let's turn back to Exhibit Number 3,
23 because I want to take a quick look at the AFE that's
24 attached to this letter, that was sent with this letter.
25 Are the costs that are reflected on this AFE consistent

1 with what the company has incurred for drilling similar
2 wells in this area?

3 A. Yes, they are.

4 Q. Has the company made an estimate of the
5 overhead and administrative costs while drilling this
6 well and also while producing this well if successful?

7 A. Yes, we have.

8 Q. Would you please provide those numbers for the
9 Examiners?

10 A. 500 a month, drilling; 550 a month while
11 producing.

12 Q. And are these costs likewise consistent with
13 what the company and other operators in this area charge
14 for similar wells?

15 A. Yes, they are.

16 Q. And does the company request that these figures
17 be incorporated into any order and that the order
18 provide them to be adjusted in accordance with COPAS
19 guidelines?

20 A. Yes, we do.

21 Q. Now, with respect to the formation of the
22 nonstandard union -- first off, has the company brought
23 a geologist today to provide technical testimony in
24 support of the proposed nonstandard union?

25 A. Yes.

1 Q. Was the company able to identify the leased
2 mineral interest owners in the 40-acre tracts
3 surrounding the proposed nonstandard unit?

4 A. Yes, we did.

5 Q. And did the company then include these leased
6 mineral owners in the notice of this hearing?

7 A. Yes, we did.

8 Q. And finally, then, is Exhibit Number 6 an
9 affidavit with attached letters providing notice of this
10 hearing, then, to all the affected parties?

11 A. Yes.

12 Q. Mr. Dirks, were Exhibits 1 through 6 prepared
13 by you or compiled under your direction and supervision?

14 A. Yes, they were.

15 MR. FELDEWERT: Mr. Examiner, at this time
16 we'd move for admission into evidence of Exhibits COG 1
17 through 6.

18 EXAMINER BROOKS: 1 through 6 are admitted.
19 (COG Exhibit Numbers 1 through 6 were
20 offered and admitted into evidence.)

21 MR. FELDEWERT: That concludes my
22 examination of this witness.

23 EXAMINER BROOKS: Thank you.

24

25

1 CROSS-EXAMINATION

2 BY EXAMINER BROOKS:

3 Q. You said the Penasco Draw pool. Is that
4 Penasco Draw Glorieta-Yeso, or what is it?

5 A. San Andres.

6 Q. San Andres.

7 Now, is this to be a San Andres or a
8 Blinebry?

9 A. It's to be Yeso.

10 Q. So the Penasco Draw-San Andres pool includes
11 the Yeso Formation?

12 A. It's the San Andres-Yeso.

13 Q. San Andres-Yeso pool?

14 A. Yes, sir.

15 Q. Good. That'll be enough for me to find it.

16 Now, were there any -- you said the estate
17 that was listed did not get notice initially, but I
18 didn't follow everything you said about it. Is there
19 any interest owner who has not been -- for whom you have
20 not been able to get notice to?

21 A. Just that one that has not been published.
22 Just that one.

23 Q. You say it's not been published. Are you
24 going -- are you asking -- are you asking the case be
25 continued?

1 MR. FELDEWERT: Mr. Examiner, I intend to
2 ask the case be continued for two weeks to allow --

3 Q. (BY EXAMINER BROOKS) And you do not have an
4 address for the people entitled to that interest?

5 A. No, sir.

6 Q. I take it you are asking to pool only -- you
7 are asking for compulsory pooling only of this unit only
8 as to the portion that's included in the Penasco Draw
9 San Andres-Yeso pool?

10 A. Yes, sir.

11 Q. You're not asking for any up-hole pooling?

12 A. No, sir.

13 Q. I think that's all I need to ask.

14 EXAMINER BROOKS: Mr. Ezeanyim?

15 EXAMINER EZEANYIM: I don't have anything
16 for you, but --

17 CROSS-EXAMINATION

18 BY MR. EZEANYIM:

19 Q. The bottom hole location of the well, is it
20 standard or nonstandard? I didn't get what you said.

21 A. The bottom hole is standard.

22 Q. It's standard?

23 A. It's standard, yes, sir.

24 Q. All right. That's all.

25 A. Thank you.

1 EXAMINER BROOKS: Thank you.

2 MR. FELDEWERT: Call our next witness,
3 then, Mr. Greg Clark, geologist.

4 GREG CLARK,

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

7 DIRECT EXAMINATION

8 BY MR. FELDEWERT:

9 Q. Mr. Clark, would you please state your full
10 name for the record and identify by whom you are
11 employed and in what capacity?

12 A. Yes. Greg Clark, geologist for Concho.

13 Q. And have you previously testified before this
14 Division?

15 A. I have.

16 Q. And were your credentials as a petroleum
17 geologist accepted and made a matter of public record?

18 A. They were.

19 Q. And are you familiar with the application
20 that's been filed in this case?

21 A. Yes.

22 Q. And have you, Mr. Clark, conducted a study of
23 the lands that are the subject of this application?

24 A. I have.

25 MR. FELDEWERT: Mr. Examiner, I would

1 tender Mr. Clark as an expert witness in petroleum
2 geology.

3 EXAMINER BROOKS: He is so qualified.

4 Q. (BY MR. FELDEWERT) Mr. Clark, if you turn,
5 then, to what's been marked COG Exhibit Number 7.
6 Please identify that for the Examiners, and then walk
7 them through it, please.

8 A. I will. This is a regional structure map on
9 top of the Paddock Formation. What we are depicting
10 here are offset fields that have been completed in the
11 Paddock and Blinebry in order to show the structural
12 analogy to where we want to drill the Clydesdale 1 Fee
13 #1H. The wells that are depicted in red are Paddock
14 producers. The wells that are depicted in blue are
15 Blinebry producers. And where they both have red and
16 blue, they were completed in both the Paddock and the
17 Blinebry.

18 The yellow represents Concho's acreage, and
19 then the red line from east to west represents the
20 orientation and path of the Clydesdale 1 Fee #1H, in
21 which we request to drill.

22 Q. And I may have missed it. What is the general
23 structural orientation here?

24 A. That's correct. If you -- if you look at the
25 structure map, you'll see that the general dip is from a

1 northeast to a southwest direction. We don't see any
2 major faulting or any major geologic impediments that
3 would separate us from any of these offset fields that
4 we feel are analogous to where we want to drill.

5 Q. Then turn to what's been marked as COG Exhibit
6 Number 8. Will you please identify that for the
7 Examiners, and discuss this exhibit with us, please?

8 A. I will. This is the same map in terms of it's
9 a geographic reference. The structure's been taken off.
10 And the main point here is to show the line of section
11 in which will be the next exhibit that we'll go through.
12 The line of section is going to go from a south to north
13 direction. That is labeled A to A prime. And it
14 depicts wells that are in these offset fields that we
15 feel are analogous to where we want to drill our
16 Clydesdale 1 Fee #1H well.

17 Q. Okay. If we keep this map in mind, we can then
18 move to what's been marked as COG Exhibit Number 9. Is
19 this a cross section, Mr. Clark, that corresponds with
20 COG Exhibit Number 8?

21 A. It is.

22 Q. Would you please walk the Examiners through
23 this COG Exhibit Number 9, please?

24 A. Yes. Again, this cross section is oriented
25 from a south to north direction, with A being on the

1 south end of the cross section, and A prime being to the
2 north. So that would be going from the Cemetary field
3 through the Dagger Draw, up through our Lakewood area
4 and to the Penasco Draw field area that we feel all
5 analogous to where we want to drill our Clydesdale 1 Fee
6 #1H well. This cross section is a stratigraphic cross
7 section, and it's been flattened on top of the Paddock.

8 The structure's been taken away in order to
9 show the stratigraphic relationship of the producing
10 fields to where we would like to drill our well. As you
11 can see, there is no major stratigraphic variance from
12 these fields in relationship to where we would like to
13 drill our well. We have similar log characteristics
14 throughout the cross section that we feel is analogous
15 to where we would like to drill our Clydesdale well.

16 If you'll notice, on the wells, the second
17 well from the left and the last well on the right, and
18 then the middle of depth track, there are red rectangle
19 boxes that represent perforated intervals within these
20 wells. And you'll see in the well that is the second
21 from the left, that that well has been perforated and
22 completed in the Paddock. And if you look at the last
23 well on the right, it also has been perforated and
24 completed in the Paddock.

25 The first well on the left, which is to the

1 south, and the third well from the left and the fourth
2 well from the left are all Morrow gas wells. They have
3 not yet been completed to the Paddock. That's why you
4 don't see any perforated intervals there.

5 And then the well that we're using, that is
6 the second from the right, is a pilot hole of one of the
7 recent wells that COG has drilled, so that's why you
8 also don't see any completed interval within the
9 Paddock.

10 But overall, this cross section shows wells
11 in offset fields that have been completed in the
12 Yeso-Paddock Formation, and we feel that the comparison
13 is an equivalent to where we would like to drill our
14 Clydesdale 1 Fee #1H well.

15 Q. And speaking of that, looking at Exhibit Number
16 9, you've identified your target interval by way of a
17 red marking labeled "Lateral Interval," correct?

18 A. That is correct. That is the interval in which
19 we intend to land our horizontal well.

20 Q. Now, Mr. Ezeanyim had a question about the
21 location of the proposed well. Is COG Exhibit Number 10
22 a well diagram demonstrating compliance with the setback
23 required by the Division's rules?

24 A. It is.

25 Q. Mr. Clark, what conclusions have you drawn from

1 your geologic study of this area?

2 A. With the work that we've done, the conclusions
3 are that we -- I don't feel there are any major geologic
4 impediments or stratigraphic differences that would keep
5 us from developing these wells using full-section
6 horizontals -- or this well, rather, from drilling
7 full-section horizontals.

8 Also feel that we can be -- efficiently and
9 economically, the best way to drill these wells would be
10 in a horizontal fashion, and also feel that all parts of
11 the unit will, on average, contribute equally to the
12 overall production of said well.

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

17 A. Yes.

18 Q. And were COG Exhibits 7 through 10 prepared by
19 you or compiled under your direction and supervision?

20 A. Yes, they were.

21 MR. FELDEWERT: Mr. Examiner, I would move
22 for admission into evidence of COG Exhibits 7 through
23 10.

24 EXAMINER BROOKS: 7 through 10 are
25 admitted.

1 (COG Exhibit Numbers 7 through 10 were
2 offered and admitted into evidence.)

3 MR. FELDEWERT: That concludes my
4 examination of this witness.

5 And as I alluded to earlier, Mr. Examiner,
6 we would ask this be continued for two weeks to allow
7 published notice to the estate that is reflected on
8 Exhibit Number 4, the estate of Rufus Rand.

9 EXAMINER BROOKS: Okay. Is the two
10 weeks -- has the notice been published?

11 MR. FELDEWERT: I believe not yet. I think
12 it's this Friday, tomorrow.

13 EXAMINER BROOKS: My concern is, I believe
14 that it's supposed to be published 20 days in advance,
15 but I'll have to check the rule on that, because I don't
16 remember exactly how it's worded.

17 MR. FELDEWERT: You know, I'll check that.
18 We may have to -- I'll let you know. We may have to
19 back.

20 EXAMINER BROOKS: Well, I need to -- you
21 know, I need to decide what day to continue it to.

22 MR. FELDEWERT: I'm wondering -- I think
23 the publication was in the newspaper of general
24 circulation.

25 EXAMINER BROOKS: Yeah. That's what I need

1 to figure out.

2 MR. FELDEWERT: I want to say 10.

3 EXAMINER BROOKS: 412.

4 I'm not finding it, unfortunately.

5 Okay. 412B: "If an Applicant has been
6 unable to locate persons entitled to notice after
7 exercising reasonable diligence, the Applicant shall
8 provide notice by publication and submit proof of
9 publication. Such proof should consist of a copy of
10 legal advertisement that was published ten business
11 days ..."

12 MR. FELDEWERT: I think I had it counted.
13 I believe it was Friday.

14 EXAMINER BROOKS: I think it would be --
15 I'm thinking it would be today. You count the day
16 you're counting from, but not the day you're counting
17 to, under standard New Mexico and also Texas practice.

18 MR. FELDEWERT: Correct.

19 EXAMINER BROOKS: And I believe that it had
20 to be published today, because -- Thursday, Friday,
21 Monday, Tuesday, Wednesday, Thursday, Friday, Monday,
22 Tuesday, Wednesday. So that's your ten business days.

23 MR. FELDEWERT: Let me -- my secretary
24 calendared it. She may have calendared it for today. I
25 know we were going to get going to get the publication

1 out, but if we could continue it for two weeks --

2 EXAMINER BROOKS: Yeah. I'll continue it
3 until November 1st. If you can show that it was
4 published today, you'll be okay on November 1st.
5 Otherwise, we'll have to continue it again until
6 November 29th.

7 MR. FELDEWERT: Correct.

8 EXAMINER BROOKS: Okay. Very good.

9 Case Number 14911 is continued to November
10 1 for purposes of notice.

11 I didn't have any questions.

12 Do you have questions --

13 EXAMINER EZEANYIM: Yes.

14 EXAMINER BROOKS: -- for our witness? I'm
15 sorry.

16 Back on the record in Case Number 14911.

17 Mr. Ezeanyim, you may question the witness.

18 CROSS-EXAMINATION

19 BY EXAMINER EZEANYIM:

20 Q. As you were talking about, if you can't get it
21 in by November 4th [sic], it's going to be November
22 29th. And one of the questions is: Is there anything
23 that will impact on your operations, you know, like you
24 have a rig waiting or something like that? Maybe you
25 have to walk out and get it out today, because we don't

1 have anything on the 15th. So I'm wondering if you're
2 going to have any problem if we continue to the 29th, if
3 we can't get the publication out today.

4 A. I believe we're okay.

5 Q. Okay. Even though it's going to continue --
6 I know -- I know we can do it on November 1, but I'm
7 just -- in case you didn't. So I wanted to make sure
8 that's the day I'm looking at.

9 Okay. Having taken care of that, let's go
10 back to Exhibit Number 7 on the -- on your estimated --
11 if you look -- if you look at that, I'm looking at the
12 well you're going to drill. First of all, what is the
13 pool? What is the name of the pool here?

14 A. It is the Yeso Formation.

15 Q. I mean the name of the pool.

16 A. I believe that was testified earlier by the
17 landman.

18 Q. As what?

19 MR. FELDEWERT: I think it was the -- I
20 wrote it down. Penasco Draw San Andres-Yeso pool.

21 Q. (BY EXAMINER EZEANYIM) Okay. Now, going to
22 Section 36 just above that Section 1. Those wells add
23 really to what pool?

24 A. I'm not sure. I'd have to go back and look at
25 the application.

1 Q. You didn't find out who -- who owns these
2 wells -- I mean those wells?

3 A. Those are COG's wells.

4 Q. Your wells?

5 A. Yes, sir.

6 Q. COG wells. But you don't know what pool
7 they're at?

8 A. I don't know for sure without having the APD in
9 front of me, sir.

10 Q. Now, what are the wells down south? Are those
11 your wells, too? Are those your wells?

12 A. How far south?

13 Q. I'm talking about, for example, Sections 24,
14 25, 35, 36?

15 A. No, sir. 35, 36 in Section 2, those are COG
16 wells.

17 Q. Those are COG wells?

18 A. Yes, sir.

19 Q. And you don't know what --

20 A. No, sir.

21 Q. You are COG, right?

22 A. Yes, I am.

23 Q. You know where I'm going? I'm looking at --

24 I'm looking at where you're going to take that

25 orientation, you know. If those wells are produced from

1 there, are those wells going north-south? We want to
2 find the geology and why we want to go east-west in this
3 particular section.

4 A. Sir, I can answer to that if you want.

5 Q. Yes. That's my question.

6 A. Okay. Well, if you look overall regionally,
7 you'll see that there are a number of wells that are
8 oriented north-south and a number of wells that are
9 oriented east-west.

10 There has not been one preferred direction
11 of orientation for these wells. And the reason being,
12 one, we have not seen any significant difference in
13 production from wells that are oriented east-west versus
14 oil wells that are oriented north-south. But from a
15 geologic perspective, we feel that SHmax, the maximum
16 horizontal stress direction, is in a northeast to
17 southwest direction, and as long as you drill these
18 wells oblique and/or perpendicular to SHmax, you're
19 going to be effective when you're completing these wells
20 in terms of your fracking.

21 Q. I understand what you just said. This case is
22 going to be continued.

23 A. One second. The main purpose for the east-west
24 in Section 1 is the southern half of that section is
25 offset by Cimarex. So we only own the north half of the

1 section. So in order to also develop a full 160 unit,
2 we'd have to orient these in an east-west direction, or
3 we would only be able to do half-section laterals if we
4 did them in the north-south.

5 Q. Well, not if -- not if you are going to produce
6 more if you go north-south. I know what you're talking
7 about. You only address east-west. Okay. But you
8 don't want to drill north-south because of someone
9 else's interest. That's why we drill wells. I mean,
10 east-west is not going to impede COG interest there.
11 Someone may have something there. Anybody can have
12 something. What I'm trying to determine here is for the
13 technical point. It's not who owns what, because you
14 can drill a well regardless of who owns anything, if you
15 want to be the operator.

16 A. Sure.

17 Q. My only concern is, what is the proper
18 orientation? You know, if you are telling me the
19 proper -- why you do that is because you don't own an
20 interest, I don't think that will fly. Because are you
21 going to reduce waste [sic] by going east-west, or do
22 we -- you know, is this more hydrocarbons if we go
23 north-south? I guess we can work out, I assume, even if
24 somebody has an interest in the south portion.

25 A. So normally in --

1 Q. So if you tell me the geology is that way and
2 convince me that's how we can do it, I can agree with
3 that, but not if somebody owns that. Somebody can walk
4 out and we can drill wells in that fashion. To be able
5 to -- what is our aim here? To get out as much
6 hydrocarbon as we could regardless of who owns what.

7 MR. FELDEWERT: Mr. Examiner, can I address
8 that with the witness?

9 EXAMINER EZEANYIM: Yes.

10 REDIRECT EXAMINATION

11 BY MR. FELDEWERT:

12 Q. Mr. Clark, the company has chosen, in this
13 particular case, to drill the well from east to west; is
14 that correct?

15 A. That's correct.

16 Q. In other circumstances, the company has also
17 chosen to drill the well north-south?

18 A. That is correct.

19 Q. In your examination of the structure, in the
20 geology in this area, is there any difference in terms
21 of the production of hydrocarbons when you orient the
22 well north-south or east-west?

23 A. We have not seen that to be the case.

24 EXAMINER EZEANYIM: What was the question?
25 What did you just ask?

1 Can you read that back?

2 (The record was read as requested.)

3 EXAMINER EZEANYIM: What was the answer?

4 THE WITNESS: No.

5 CONTINUED CROSS-EXAMINATION

6 BY EXAMINER EZEANYIM:

7 Q. How did you determine that?

8 A. Excuse me?

9 Q. How did you -- what -- what tells you that
10 there is no difference?

11 A. Production data.

12 Q. From which wells?

13 A. From wells in Section 32, wells in Section 5,
14 wells in Section 36, and then the whole Cemetary area
15 and a full analysis down there.

16 As I testified to earlier, the first point
17 that we have in terms of science is the production
18 itself. And in the production, we have not seen, in any
19 of these wells that are oriented north-south versus
20 east-west, an appreciable difference in terms of
21 production because of the orientation.

22 And secondly, from a geologic perspective,
23 we have evidence and science that shows us that the SH
24 maximum stress direction is in a northeast to southwest
25 direction. Therefore, technology tells us that if we

1 stay oblique or perpendicular to SHmax, that you're
2 going to have an effective fracking when you're fracking
3 these wells.

4 And thirdly was my point about Cimarex
5 being to the south of this. So third being the less --
6 the less strength in terms of my point, and number one
7 being the first strength, the strongest point.

8 Q. Okay. Very good. What I would like to add
9 here is, on that Section 36, directly above Section 1
10 operated by COG, I would like to see information on
11 those wells and the pooling from --

12 A. We can get that to you. In terms of
13 information, what information?

14 Q. I want production data and from what pool they
15 are.

16 A. Okay. Well, sir, there are also other dynamics
17 that are going on in that Section 36.

18 Q. What is that?

19 A. There are some wells that have been landed in
20 the lower part of the Paddock, and there are some wells
21 that have been landed in the upper part of the Paddock.

22 Q. That's why I want to know what pool they're
23 producing from.

24 A. The Yeso is Yeso.

25 Q. What is the name of the -- is it the Penasco,

1 too? But I have some questions. You say you don't
2 know. Is that the Penasco or some other pool in the
3 Yeso?

4 A. I am certain that whatever pool it was assigned
5 to included the Yeso.

6 Q. Can I get the production data from those wells
7 in that section? As we are waiting for the continuance,
8 I can look at that data.

9 A. I'll have to get back to you on that.

10 EXAMINER BROOKS: Data -- the latest time
11 that's been reported to the OCD --

12 EXAMINER EZEANYIM: Yeah.

13 MR. FELDEWERT: Mr. Examiner, we should
14 have access to the data already within the system, and
15 we'd be happy to provide it to you. But that data
16 should be there. We can certainly provide the pool
17 name. I can give you -- I know the current pool number
18 for Section 1 for this particular well that's been
19 assigned by the Oil Conservation Division. The number
20 is 50270.

21 EXAMINER EZEANYIM: Yes, I know we can get
22 the data, but I don't know the name of wells, the IP
23 numbers. I can go in there and look at it.

24 THE WITNESS: They're in Section 36.

25 MR. FELDEWERT: Mr. Examiner, I do have a

1 sheet here now that would provide --

2 EXAMINER EZEANYIM: The information I need?

3 If I have the names of the wells, that would be fine.

4 MR. FELDEWERT: I can give you the names of

5 the wells, yes. I'm assuming, then, Mr. Examiner that

6 you would -- if you get an opportunity to look at that

7 data and the names of the wells and pool, if you would

8 let me know, so we can have the geologist brought back.

9 EXAMINER EZEANYIM: I will do that, because

10 I'm concerned. I want to look at that.

11 MR. FELDEWERT: Okay.

12 EXAMINER EZEANYIM: That's all I have.

13 Thank you.

14 EXAMINER BROOKS: Very good. Case Number

15 14911 will be continued to November 1st, 2012 for

16 purposes of notice.

17 (The hearing concluded, 8:55 a.m.)

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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. 14901.
heard by me on 10-18-12
David K. Brooks Examiner
Oil Conservation Division

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.

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Mary C. Hankins

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