

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

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

ORIGINAL

APPLICATION OF COG OPERATING, LLC, FOR A
NONSTANDARD SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Case 14919

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

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BEFORE: RICHARD EZEANYIM, Presiding Examiner
DAVID K. BROOKS, Legal Examiner

November 29, 2012

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Presiding Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, November 29, 2012, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
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A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, LLP
 MICHAEL H. FELDEWERT, ESQ.
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WITNESSES:

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EXHIBITS 7 THROUGH 10 WERE ADMITTED

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REPORTER'S CERTIFICATE

18

1 EXAMINER EZEANYIM: At this time I call
2 Case Number 14919, application of COG Operating, LLC, for
3 a nonstandard oil spacing and proration unit and
4 compulsory pooling, Eddy County, New Mexico.

5 MR. FELDEWERT: Mr. Examiner, Michael
6 Feldewert, of the Santa Fe office of Holland & Hart,
7 appearing on behalf of the applicant, COG Operating, LLC.
8 I have two witnesses here today.

9 EXAMINER EZEANYIM: Any other appearances?
10 Will the witnesses stand and state your name
11 and be sworn, please?

12 MR. CLARK: Greg Clark.

13 MS. MOHEBKHOSRAVI: Katie Moheb, or
14 Katayoun Mohebkhosravi.

15 EXAMINER EZEANYIM: Do you speak French?

16 MS. MOHEBKHOSRAVI: No.

17 EXAMINER EZEANYIM: What did you say?

18 MS. MOHEBKHOSRAVI: My name.

19 EXAMINER EZEANYIM: Go ahead.

20 (Two witnesses were sworn.)

21 MR. FELDEWERT: Call our first witness?

22 EXAMINER EZEANYIM: Okay, go ahead.
23
24
25

1 KATAYOUN MOHEBKHOSRAVI

2 Having been first duly sworn, testified as follows:

3 DIRECT EXAMINATION

4 BY MR. FELDEWERT:

5 Q. Would you please state your name and by whom
6 you're employed and in what capacity?

7 A. My name is Katayoun Mohebkhosravi, or I will
8 go by Katie Moheb. And I'm a landman at Concho
9 Resources.

10 Q. And how do you spell -- it would be M-o --

11 A. M-o-h-e-b.

12 Q. Have you previously testified before this
13 Division as an expert witness in petroleum land matters?

14 A. Yes, I have.

15 Q. Were your credentials accepted and made a
16 matter of public record?

17 A. Yes.

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

20 A. Yes.

21 Q. Have you conducted a study of the lands that
22 are involved here?

23 A. Yes, I have.

24 MR. FELDEWERT: I tender Ms. Moheb as an
25 expert witness in petroleum land matters.

1 EXAMINER EZEANYIM: She's so qualified.

2 Q. (By Mr. Feldewert) Would you turn to what's
3 been marked as Concho Exhibit 1, please identify it, and
4 identify secondly for the Examiners what the company
5 seeks under this application?

6 A. This is a map of our Lakewood area. It also
7 shows our Yeso wells. And red are the Paddock and blue
8 are the Blinebry.

9 As you'll see, highlighted is the Bradley 8
10 Fee, and in red is the Bradley 8 Fee 4H. This is in a
11 160-acre nonstandard spacing unit of which we'd like to
12 pool all of the minerals beneath it from the surface down
13 to the base of the Glorieta-Yeso.

14 Q. So you're forming an east half/east half
15 spacing unit?

16 A. Yes.

17 Q. Are you indeed to pool from the surface to the
18 base of the Glorieta-Yeso or just the Glorieta-Yeso
19 Formation?

20 A. From the surface to the base.

21 Q. This Bradley 8 Fee 4H well shown on this map,
22 will the completed intervals comply with all the setbacks
23 required by the Division?

24 A. Yes.

25 Q. Was there an error in the description of the

1 location of this well, or has there been a change in the
2 location of this well for purposes of ensuring that it
3 complies with the setbacks required by the Division
4 rules?

5 A. Yes. We applied for a sundry to change the
6 bottomhole location to comply. And previously, it was
7 330 north, 1,040 east. And we changed the bottomhole
8 location to 330 north, 986 east.

9 Q. That will keep you 330 off the line?

10 A. Yes.

11 Q. If I turn to what's been marked as Concho
12 Exhibit 2, is that the sundry notice you're talking
13 about?

14 A. Yes.

15 Q. First off, it identifies the API number for
16 this well; correct?

17 A. Yes.

18 Q. Secondly, if I look towards the middle, it
19 shows the change in the bottomhole location to reflect
20 what you just testified to?

21 A. Yes.

22 Q. With this change, the completed interval for
23 the well will comply with the Division setback
24 requirements; correct?

25 A. Yes.

1 Q. This exhibit also identifies the pool; does it
2 not?

3 A. Yes, it does.

4 Q. And that would be the --

5 A. Atoka Glorieta-Yeso.

6 Q. Is the east half of the east half of Section 8
7 the all fee lands?

8 A. Yes.

9 Q. If I turn to COG Exhibit 3, does this two-page
10 exhibit identify the interest owners in this nonstandard
11 unit that remain uncommitted to the well?

12 A. Yes.

13 Q. These are the parties that you seek to pool?

14 A. Yes.

15 Q. What percentage interest does this uncommitted
16 interest owner group represent?

17 A. It's about 26 percent.

18 Q. If I turn to what's been marked COG Exhibit
19 Number 4, is this the well proposal letter that went out
20 to the known interest owners?

21 A. Yes, that's correct.

22 Q. And there was actually an initial letter and
23 then a follow-up correction letter; correct?

24 A. Yes.

25 Q. And the last page of this exhibit contains the

1 AFE that was submitted with these well proposal letters;
2 does it not?

3 A. Yes.

4 Q. In addition to sending out these well proposal
5 letters to the known interest owners in this nonstandard
6 unit, has the company engaged in additional efforts to
7 reach a voluntary agreement with these known owners?

8 A. Yes. We search for addresses normally of
9 record, leases, et cetera. We also do an Internet
10 search. We subscribe to different search engines for
11 this, and this is what we've come up with.

12 Q. The parties that you've been able to locate,
13 since sending out these letters, has a company or someone
14 on their behalf been in touch with them in trying to
15 reach an agreement?

16 A. Yes.

17 Q. Have there been telephone conversations?

18 A. Yes.

19 Q. There's also parties on the list that you seek
20 to pool that you have been unable to locate?

21 A. Yes, that's correct.

22 Q. What efforts has the company undertaken to
23 locate the parties that you've been unable to locate
24 today?

25 A. We've updated our search. If we receive an

1 address back, then we call them up and make sure that the
2 address is updated. In addition to that, we published
3 notice for anyone who we didn't receive green cards back
4 or the mail was undeliverable.

5 Q. If I turn to COG Exhibit 5, that
6 contains a copy of an affidavit of publication in the
7 Artesia Daily Press; does it not?

8 A. Yes.

9 Q. There are numerous parties listed on there?

10 A. Yes.

11 Q. Are these the parties that you have been
12 unable to locate?

13 A. Yes.

14 Q. This notice identifies all the parties you've
15 been unable to locate?

16 A. Yes, it does.

17 Q. With respect to the AFE that was submitted
18 with your well proposal letters, are they consistent with
19 what the company has incurred for drilling similar
20 horizontal wells?

21 A. Yes.

22 Q. Has the company estimated the overhead and
23 administrative costs while drilling this well and also
24 while producing if you are successful?

25 A. Yes. It's going to be 6,000 while drilling

1 and 600 while producing.

2 Q. And you request those be incorporated into any
3 order from the Division?

4 A. Yes.

5 Q. Are these costs that you've identified, are
6 they consistent with those that are imposed in other
7 joint operating agreements signed by the interest owners?

8 A. Yes. They're in the COPAS.

9 Q. Does the company request the customary 200
10 percent risk penalty to be imposed on those parties and
11 interest owners that do not voluntarily commit to this
12 well?

13 A. Yes.

14 Q. With respect to the request for the
15 nonstandard units, has the company brought a geologist to
16 provide technical testimony in support of the units?

17 A. Yes, we have.

18 Q. And did the company identify the lease mineral
19 interest owners in the 40-acre tracts surrounding the
20 proposed nonstandard spacing unit?

21 A. Yes, we did.

22 Q. Did the company ensure to include those known
23 lease mineral interest owners in the notice of this
24 hearing?

25 A. Yes.

1 Q. Is COG Exhibit 6 an affidavit, with the
2 attached letter providing notice of this hearing to all
3 of the affected parties?

4 A. Yes.

5 Q. Were Exhibits 1 through 6 prepared by you or
6 compiled under your direction and supervision?

7 A. Yes, they were.

8 MR. FELDEWERT: Mr. Examiner, I move the
9 admission of COG Exhibits 1 through 6.

10 EXAMINER EZEANYIM: Exhibits 1 through 6
11 will be admitted.

12 (Exhibits 1 through 6 were admitted.)

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

15 EXAMINER EZEANYIM: Thank you.

16 Do you have any questions?

17 EXAMINER BROOKS: No questions.

18 EXAMINER EZEANYIM: No questions. You may
19 step down.

20 MR. FELDEWERT: We will then call our next
21 witness.

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25

1 GREG CLARK

2 Having been first duly sworn, testified as follows:

3 DIRECT EXAMINATION

4 BY MR. FELDEWERT:

5 Q. Would you please state your name and identify
6 by whom you're employed and in what capacity?

7 A. Greg Clark, geologist for Concho.

8 Q. You've previously testified before this
9 Division on numerous occasions?

10 A. I have.

11 Q. As an expert in petroleum geology?

12 A. Yes.

13 Q. Have you conducted a study of the lands that
14 are the subject of this application?

15 A. I have.

16 MR. FELDEWERT: I tender Mr. Clark as an
17 expert witness in petroleum geology.

18 EXAMINER EZEANYIM: He is so qualified.

19 Q. (By Mr. Feldewert) Turn to what's been marked
20 COG Exhibit 7. Would you identify it and explain to the
21 Examiner what it shows?

22 A. Yes. This is a regional structure map on top
23 of the Paddock. What we're depicting here is
24 relationships with producing fields in the area. They
25 are identified by -- the wells are identified in red and

1 blue as Paddock and/or Blinebry producers.

2 As you look at this structural map, you'll see
3 that regional structural dip is to the south and east,
4 which is basinward. We're on the shelf edge margin of
5 the Delaware Basin. So therefore, the structural dip, in
6 terms of regional geology, will go basinward to the south
7 and the east.

8 We're trying to show the structural
9 relationship between producing analogous fields in
10 relationship to where we want to drill the Bradley 8 Fee
11 4H, trying to show there's no major faulting, folding or
12 structural impediment that would not make this analogous
13 to these offset producing fields.

14 Q. Turn to what's been marked as Concho Exhibit
15 Number 8. Is that the same map, but showing the wells
16 that you used for your cross-section?

17 A. That's correct. The structure has been taken
18 off this map, mainly to depict the line of section that
19 I'll be showing in the next exhibit. And we are going
20 from A to A prime, which is south to north, from the
21 Cemetery field to the Dayton field.

22 The cross-section goes through the area in
23 which we want to drill the Bradley 8 4H.

24 Q. Turn to what's been marked COG Exhibit 9. Is
25 that your cross-section map, A to A prime?

1 A. It is.

2 Q. Would you walk us through this, please?

3 A. I sure will. Again, this is a cross-section
4 going from south to north, A to A prime. That would be
5 left to right.

6 It is a stratigraphic cross-section. The
7 structural component has been taken out in order to show
8 the stratigraphic relationship from the analogous fields
9 to where we are proposing to drill the Bradley Number 4H.

10 The yellow is the Glorieta, the green is the
11 Paddock, and below that is the Blinebry. You'll see in
12 the wells the second from the left and the third from the
13 left and then the last well on the right have red
14 rectangles within the Paddock Formation. These are
15 existing completed intervals within the Paddock
16 Formation.

17 And the wells that do not have perforations in
18 that interval are deep Morrow gas wells, and they have
19 not been exploited into the Paddock as to date. You'll
20 see in the bracket labeled "lateral interval," that is
21 the stratigraphic interval in which we propose to land
22 the horizontal lateral of the Bradley Number 4H.

23 Q. Mr. Clark, what conclusions have you drawn as
24 a result of your study?

25 A. I've concluded that there's no major geologic

1 impediments or difference in stratigraphy that would keep
2 us from developing this well using a full-section
3 horizontal.

4 I also feel that is the most efficient and
5 effective way of capturing the reserves is using a
6 full-section horizontal. And I also feel that each
7 40-acre unit will, on average, more or less contribute
8 equally to the overall production of the well.

9 Q. Is COG Exhibit Number 10 the well diagram
10 showing compliance with the setback requirements under
11 the Division's rules?

12 A. It is. This is a map view depicting how we
13 are going to complete the well and have it within the
14 setbacks.

15 Q. Does this comport with the sundry notice
16 showing the change in the bottomhole location that is
17 reflected on COG Exhibit Number 2?

18 A. That's correct.

19 Q. In your opinion, will the granting of this
20 application be in the best interest of conservation and
21 the prevention of waste and protection of correlative
22 rights?

23 A. Yes.

24 Q. Were COG Exhibits 7 through 10 prepared by you
25 or compiled under your direction and supervision?

1 A. They were.

2 MR. FELDEWERT: Mr. Examiner, I move the
3 admission into evidence of COG Exhibits 7 through 10.

4 EXAMINER EZEANYIM: Exhibits 7 through 10
5 will be admitted.

6 (Exhibits 7 through 10 were admitted.)

7 MR. FELDEWERT: That concludes my
8 examination of this witness.

9 EXAMINER EZEANYIM: Do you have any
10 questions?

11 EXAMINATION

12 BY EXAMINER BROOKS:

13 Q. Ms. Moheb said that you wanted to unitize from
14 the surface to the base of the Paddock or the Yeso or
15 whatever it was?

16 A. The Yeso.

17 Q. Do you have a bailout zone plan?

18 A. We do not have a bailout zone, per se. We
19 feel like where we're going to land is going to be the
20 main objective of this well.

21 Q. If you did do an uphole completion, it would
22 probably be in the vertical portion of the hole. Unless
23 you have a specific zone in mind, I wouldn't expect you'd
24 want to drill another horizontal?

25 A. That would be correct. We have not configured

1 a well in which we could kick off an upper lateral at
2 this point.

3 EXAMINER BROOKS: Thank you.

4 MR. FELDEWERT: Mr. Examiner, I think it's
5 been advertised as just the pooling into the
6 Glorieta-Yeso Formation.

7 EXAMINER BROOKS: If it's been advertised
8 that way, that's the way we have to do it, unless you
9 wanted to readvertise it.

10 EXAMINER EZEANYIM: We talked about this
11 yesterday. Anyway, there is no need to readvertise. We
12 are going to give you the base of the Yeso, so wherever
13 you want to land those laterals, you could. Yeah, we're
14 done.

15 THE WITNESS: Thank you.

16 MR. FELDEWERT: That concludes our
17 presentation, Mr. Examiner.

18 EXAMINER EZEANYIM: At this point, Case
19 Number 14919 will be taken under advisement.

20 * * *

21

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. _____,
25 heard by me on _____.

_____, Examiner
Oil Conservation Division

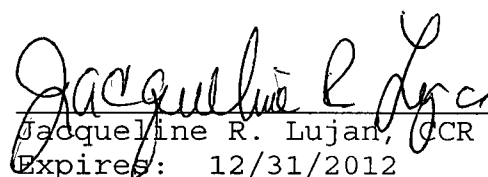
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on November 29, 2012, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with 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.

WITNESS MY HAND this 11th day of December,
2012.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2012