

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. 15090

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 20, 2014

Santa Fe, New Mexico

14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Richard Ezeanyim,
20 Chief Examiner, on Thursday, February 20, 2014, at the
21 New Mexico Energy, Minerals and Natural Resources
22 Department, 1220 South St. Francis Drive, Porter Hall,
23 Room 102, Santa Fe, New Mexico.

22 REPORTED BY: Mary C. Hankins, CCR, RPR
23 New Mexico CCR #20
24 Paul Baca Professional Court Reporters
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1 APPEARANCES

2 FOR APPLICANT COG OPERATING, LLC:

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11 Witnesses:

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13 Direct Examination by Mr. Feldewert

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Greg Clark:

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20 EXHIBITS OFFERED AND ADMITTED

21 COG Operating, LLC Exhibit Numbers 1 through 6

9

22 COG Operating, LLC Exhibit Numbers 7 through 10

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1 (9:33 a.m.)

2 EXAMINER EZEANYIM: So we continue with
3 Case Number 15090. This is on page 3, I hope. This is
4 the application of COG Operating, LLC for a nonstandard
5 spacing and proration unit and compulsory pooling,
6 Eddy County, New Mexico.

7 Call for appearances.

8 MR. FELDEWERT: May it please the Examiner,
9 Michael Feldewert, with the Santa Fe office of Holland &
10 Hart, appearing on behalf of the Applicant. I have two
11 witnesses.

12 EXAMINER EZEANYIM: Very good.

13 Are there any other appearances, please?

14 Okay. Witnesses stand up to be sworn, and
15 state your names, please.

16 MR. CLARK: Greg Clark.

17 MR. SCOTT: Joseph Scott.

18 (Witnesses sworn.)

19 MR. FELDEWERT: Mr. Examiner, I call Joseph
20 Scott.

21 JOSEPH SCOTT,

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

24

25

1 DIRECT EXAMINATION

2 BY MR. FELDEWERT:

3 Q. Mr. Scott, would you identify by whom you are
4 employed and in what capacity?

5 A. COG Operating, LLC. I'm a landman.

6 Q. You have previously testified before the
7 Division, correct?

8 A. Yes.

9 Q. And have your credentials as a petroleum
10 landman been accepted and made a matter of public
11 record?

12 A. Yes, sir.

13 Q. Are you familiar with the application that's
14 been filed by the company in this case?

15 A. Yes.

16 Q. And are you familiar with the status of the
17 lands in the subject area?

18 A. Yes.

19 MR. FELDEWERT: Mr. Examiner, I tender
20 Mr. Scott, once again, as an expert witness in petroleum
21 land matters.

22 EXAMINER EZEANYIM: So qualified.

23 Q. (BY MR. FELDEWERT) Would you turn to what's
24 been marked as COG Exhibit Number 1? Identify it and
25 then indicate to the Examiner what the company seeks

1 under this application.

2 A. The surface-hole location is located in the
3 southwest quarter of Section 31, 18 South, Range 36
4 East.

5 Q. Is that depicted with a red square?

6 A. Yes, it is. And it is a north-south
7 orientation, and the bottom-hole location is located in
8 the southwest quarter of Section 6, 19 South, 26 East.

9 Q. So you have the surface location in Section 31,
10 but your well's going to be producing from Section 6?

11 A. That's correct.

12 Q. What are you seeking in this case?

13 A. We seek to create a nonstandard 160-acre
14 spacing unit comprised of the west half-west half of
15 Section 6, 19 South, 26 East, pooling the mineral
16 interest owners in order to dedicate a unit for the
17 Arabian 6 Fee 10H.

18 Q. And if I turn to what's been marked as COG
19 Exhibit Number 2, is this an amended Form C-103 and Form
20 C-102, which has been filed recently with the Division?

21 A. Yes.

22 Q. And does it -- first off, does it identify the
23 API number for the well on the first page?

24 A. Yes.

25 Q. Does it also identify the pool and the pool

1 code that is involved with this application?

2 A. Yes.

3 Q. Also, does it demonstrate, on the second page,
4 that the completed interval for this well will comply
5 with the Division's setback requirements?

6 A. Yes.

7 Q. Is Section 6 all fee lands?

8 A. Yes.

9 Q. If I turn to what's been marked as COG Exhibit
10 Number 3, does it identify the ownership in this west
11 half-west half spacing unit, first by tract, and then
12 their total interest in the proposed spacing unit?

13 A. Yes.

14 Q. What interests do you seek to pool in this
15 particular application?

16 A. The estate of the -- we seek to pool the owners
17 highlighted in yellow, which are the estate of Jonell R.
18 Gilmore and the Estate of Dewight M. Lee.

19 Q. And those estates have ownership that is
20 identified in the bottom of Exhibit Number 3?

21 A. Correct.

22 Q. What efforts has the company made to locate the
23 heirs of these estates?

24 A. We have leased or bought the minerals from
25 whoever we've identified as the heirs or devisees out of

1 an abundance of caution. We want to pool these
2 interests because it's been determined that they have
3 unmarketable title for failure to either probate or
4 convey their interest properly under New Mexico title
5 law.

6 Q. In light of that, then, did you provide notice
7 of this hearing by publication?

8 A. Yes.

9 Q. And if I turn to what's been marked as COG
10 Exhibit Number 4, is this an Affidavit of Publication
11 from the local newspaper directed to, by name, these two
12 estates?

13 A. Yes.

14 Q. Now, if I turn to what's been marked as COG
15 Exhibit Number 5, is that the well-proposal letter that
16 went out with the -- for this particular well?

17 A. Yes.

18 Q. And it included an AFE?

19 A. Yes.

20 Q. And that's on the third page of this exhibit?

21 A. Yes.

22 Q. And are the costs reflected on this AFE
23 consistent with what the company has incurred for
24 building similar horizontal wells in this area?

25 A. Yes.

1 Q. The first page of your well-proposal letter
2 here in Exhibit Number 5, does it identify the overhead
3 and the administrative costs while drilling and also
4 while producing if you are successful?

5 A. Yes. We propose \$5,450 for drilling and \$545
6 for production.

7 Q. And that is identified on the first page of
8 Exhibit Number 5?

9 A. Yes.

10 Q. And does COG request that these overhead and
11 administrative costs be inserted into the pooling order
12 and provide for adjustment in accordance with the COPAS
13 guidelines?

14 A. Yes.

15 Q. Did the company identify the leased mineral
16 interest owners in the 40-acre tract surrounding its
17 proposed nonstandard unit?

18 A. Yes.

19 Q. And is Exhibit Number 6 an affidavit prepared
20 by my office with attached letters providing notice of
21 this hearing to these offset owners?

22 A. Yes.

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

25 A. Yes.

1 MR. FELDEWERT: Mr. Examiner, at this time,
2 I'd move admission into evidence of Exhibits 1 through
3 6, which includes my affidavit.

4 EXAMINER EZEANYIM: Exhibits 1 through 6
5 will be admitted.

6 (COG Operating, LLC Exhibit Numbers 1
7 through 6 were offered and admitted into
8 evidence.)

9 MR. FELDEWERT: That concludes my
10 examination of this witness.

11 EXAMINER EZEANYIM: Thank you.

12 I should have made this statement before:
13 I like how these exhibits are arranged. I mean, I'm
14 saying the truth. I like it when it goes easy. When
15 it's all scattered, I get confused. But I like this
16 one. I would like it if everybody would comply. I'm
17 not telling you to do that. I like it, just for the
18 record.

19 Let's go back to Exhibit Number 3. See, I
20 can easily go there. But if it's all scattered out, it
21 makes it too much.

22 CROSS-EXAMINATION

23 BY EXAMINER EZEANYIM:

24 Q. Let's go back to Exhibit Number 3, and I can
25 find it easily by the tab. There we go. Okay. Those

1 in yellow -- is that yellow?

2 A. Yes.

3 Q. Are those who you are pooling?

4 A. Yes.

5 Q. Are they working interest owners or just -- did
6 they have any working interest?

7 A. They have passed away. We have identified
8 their heirs or devisees as working interest owners
9 internally, but for the purpose of pooling, they are
10 identified as working interest owners in this dedicated
11 spacing unit.

12 Q. I wanted to make sure, because if they are not
13 working interest owners, they don't bear costs. But if
14 they are working interests, they have to pay for their
15 costs.

16 A. (Indicating.)

17 Q. Okay. I just wanted to make sure.

18 And do we have Form C-102? That is Exhibit
19 Number 2.

20 And do we have all the locations of the
21 wells in Number 3, right?

22 A. Yes, sir, the west half-west half.

23 Q. I just want to get the information in case it's
24 approved, so I can have the information.

25 So they're all standard locations?

1 A. Yes.

2 MR. FELDEWERT: Mr. Examiner, the completed
3 interval will be a standard location.

4 EXAMINER EZEANYIM: That's what I mean.
5 When I say completed interval, they are in accordance
6 with the rule, right?

7 MR. FELDEWERT: Yes.

8 EXAMINER EZEANYIM: But completion point at
9 this particular time within the interval API.

10 Did we talk about overhead rates?

11 MR. FELDEWERT: Yes. If you look at the
12 first page of Exhibit Number 5, they identify, halfway
13 down, the overhead rates that the company has requested.

14 EXAMINER EZEANYIM: And this is land and
15 fee, right?

16 THE WITNESS: Yes.

17 EXAMINER EZEANYIM: No further questions.
18 You may step down.

19 THE WITNESS: Thank you.

20 MR. FELDEWERT: We'll call our next
21 witness, Greg Clark.

22 GREG CLARK,
23 after having been previously sworn under oath, was
24 questioned and testified as follows:

25 EXAMINER EZEANYIM: Mr. Clark has been

1 sworn.

2 You are still under oath.

3 THE WITNESS: Yes, sir.

4 DIRECT EXAMINATION

5 BY MR. FELDEWERT:

6 Q. Would you identify for the record by whom
7 you're employed and in what capacity?

8 A. At Concho, as a petroleum geologist.

9 Q. You have previously testified numerous times
10 before the Division; have you not?

11 A. Yes, I have.

12 Q. Have your credentials as a petroleum geologist
13 been accepted and made a matter of public record?

14 A. Yes.

15 Q. Are you familiar with this application?

16 A. I am.

17 Q. And have you conducted a study of the lands
18 that are the subject of this application?

19 A. Yes, I have.

20 MR. FELDEWERT: Mr. Examiner, I, once
21 again, tender Mr. Clark as an expert witness in
22 petroleum geology.

23 EXAMINER EZEANYIM: Mr. Clark is very well
24 qualified.

25 Q. (BY MR. FELDEWERT) Would you please turn to

1 Exhibit Number 7? Identify it for the Examiner and tell
2 us what it shows.

3 A. Yes. This is a regional structure map on top
4 of the Paddock showing the overall dip from the
5 northwest to the southeast. The yellow is COG acreage
6 that is associated with the application for the Arabian
7 6 fee #10H. We have regional Paddock producers
8 highlighted in red and Blinbry producers highlighted in
9 blue.

10 This map also shows that there are no major
11 geologic impediments that would keep us from developing
12 the requested area with a horizontal well.

13 Q. And have you drilled a cross section for the
14 Examiner?

15 A. Yes.

16 Q. If I turn to what's been marked as COG Exhibit
17 Number 8, does it identify the wells that were included
18 in your cross section?

19 A. Yes, it does.

20 Q. And they extend across the area of interest,
21 correct?

22 A. That is correct.

23 Q. And in your opinion, are they representative of
24 this area?

25 A. Yes, they are.

1 Q. If I turn to what's been marked as COG Exhibit
2 Number 5, is this the corresponding cross section?

3 A. It is.

4 Q. And what does it show?

5 A. Yeah. If you look at this cross section again
6 from A to A prime, which is from south to north, and
7 going across the area in which we are proposing to the
8 drill the Arabian 10 Fee 6H, this cross section is
9 flattened on top of the Paddock, so the structural
10 component is taken out in order to show the
11 stratigraphic relationship in the area with the vertical
12 well logs that we see here.

13 The well on the left is the Arabian 6 Fee
14 #1, which is a vertical well that COG drilled. And the
15 well in the middle, you'll see in the depth track, the
16 red rectangle. That represents the perforated interval
17 that was completed in that well. And then the well to
18 the right of the cross section is a deep Morrow well.
19 Therefore, it has not been completed back to the Yeso in
20 the Paddock Formation.

21 If you look closely, you'll see there is no
22 major thickening or thinning throughout this area. The
23 gross interval of the Paddock is very similar, and if
24 you look at the log characteristics in terms of the
25 porosity, the density and the neutrons, they are all

1 very similar. Therefore, the area is very similar in
2 terms of stratigraphic nature and elements.

3 Q. Mr. Clark, what conclusions have you drawn from
4 your study?

5 A. Don't see any geologic impediments that would
6 keep from us drilling this well using a horizontal.
7 This area can be efficiently and effectively produced
8 using a horizontal well. And each -- each 40 will, on
9 average, contribute more or less equally to the overall
10 production of the well.

11 Q. Now, will the completed interval of this well
12 comply with all of the setback requirements?

13 A. Yes, it will.

14 Q. And is COG Exhibit Number 10 a well diagram for
15 this well showing compliance with the setback
16 requirement?

17 A. Yes, it is.

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

22 A. Yes.

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

25 A. Yes, they were.

1 MR. FELDEWERT: Mr. Examiner, I would move
2 into evidence COG Exhibits 7 through 10.

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

5 (COG Operating, LLC Exhibit Numbers 7
6 through 10 were offered and admitted into
7 evidence.)

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

10 CROSS-EXAMINATION

11 BY EXAMINER EZEANYIM:

12 Q. On Exhibit Number 7, Mr. Clark --

13 A. Yes.

14 Q. You always do a good job.

15 Tell me, that well on Section 31, does that
16 have the same pad with this well?

17 A. No. The surface location for the horizontal
18 well in question is going to be from Section 31.

19 Q. Section 31.

20 A. And they're very -- they're not the same pad,
21 but they're very close. You know, they're like
22 within -- the wellhead from -- we have to extend it like
23 an extra 100 or 150 feet, but they're very close.

24 Q. There is no information on the pad spacing, and
25 so it could be anywhere?

1 A. Sure.

2 Q. Of course, you could have that one pad and
3 develop it and go north and go south?

4 A. Yes, sir.

5 Q. Is that well drilled, the well in that one?

6 A. The reason the surface location is there is
7 because of the surface issues that were involved for
8 that surface location.

9 Q. I see yellow. Is that yellow? That color
10 there, is that all COG acreage?

11 A. It's all COG acreage in which COG has some
12 interest.

13 Q. So is it safe to say that COG will develop that
14 acreage if you have interest there?

15 A. Yes. And as you can see, we currently are.

16 Q. Why I'm asking the question, I can see your
17 orientation in that area going east-west and, I guess,
18 in sections.

19 A. Uh-huh.

20 Q. So do you want to do that north-south?

21 A. And we already have both. We've done east-west
22 and north-south.

23 Q. You noticed everybody that is supposed to get
24 notice?

25 EXAMINER EZEANYIM: You did?

1 MR. FELDEWERT: Yes, sir.

2 EXAMINER EZEANYIM: No further questions.

3 You may step down.

4 At this point, Case 15090 will be taken
5 under advisement.

6 (Case Number 15090 concludes, 9:50 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. 15090
heard by me on 12/24/14.
Gill Conservation Division, Examiner

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

MARY C. HANKINS, CCR, RPR
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