

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

APPLICATION OF COG OPERATING,
LLC, FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

Case No. 15105

ORIGINAL

TRANSCRIPT OF PROCEEDINGS
DOCKET EXAMINER HEARING

BEFORE: RICHARD EZEANYIM

March 20, 2014
Santa Fe, New Mexico

This matter came on for hearing before the New
Mexico Oil Conservation Division, RICHARD EZEANYIM
Hearing Examiner, on Thursday, March 20, 2014, in
Porter Hall, Santa Fe, New Mexico.

REPORTED BY: PAUL BACA, CCR #112
PAUL BACA COURT REPORTERS
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1 HEARING EXAMINER EZEANYIM: At this point
2 I call Case Number 15105. And this is the
3 application of COG Operating, LLC, for a nonstandard
4 spacing and proration unit and compulsory pooling,
5 Lea County, New Mexico.

6 Call for appearances, please.

7 MS. KESSLER: Good morning, Mr. Examiner.
8 My name is Jordan Kessler. I'm with the Modrall
9 Sperling Law Firm in Albuquerque. I'm here on
10 behalf of COG Operating.

11 With me today is Mr. William Carr, who is
12 senior counsel for COG Operating.

13 HEARING EXAMINER EZEANYIM: Okay. Do you
14 have any witnesses?

15 MS. KESSLER: Two witnesses. Mr. Caleb
16 Hopson will be our land expert.

17 HEARING EXAMINER EZEANYIM: Any other
18 appearances in this case?

19 MS. KESSLER: And Mr. David DaGian will be
20 our petroleum.

21 HEARING EXAMINER EZEANYIM: I understand.
22 Any other appearances?

23 Okay. Now, the witnesses in this case
24 will stand up and state your names, to be sworn.

25 Stand up, state your names, and be sworn.

1 THE WITNESS: My name is Caleb Hopson.

2 THE WITNESS: My name is David DaGian.

3 (Witnesses sworn.)

4 HEARING EXAMINER EZEANYIM: Okay. You may
5 proceed.

6 MS. KESSLER: With your permission, I
7 would like to start with Mr. Hopson.

8 HEARING EXAMINER EZEANYIM: Okay.

9 You have been sworn, sir.

10 Go ahead.

11 CALEB HOPSON,
12 after having been first duly sworn under oath,
13 was questioned and testified as follows:

14 EXAMINATION

15 BY MS. KESSLER:

16 Q. Please state your name for the record and
17 tell the examiner by whom you are employed and in
18 what capacity.

19 A. My name is Caleb Hopson. I'm employed by
20 COG Operating, LLC. I work for them as a landman.

21 Q. And have you previously testified before
22 the division?

23 A. I have.

24 Q. And at that point were your credentials as
25 a petroleum landman accepted and made a matter of

1 public record?

2 A. They were.

3 Q. Are you familiar with the application that
4 has been filed for COG in this case?

5 A. I am.

6 Q. And are you familiar with the status of
7 the lands that are the subject of this application?

8 A. Yes.

9 Q. And the APD that's approved?

10 A. Yes.

11 MS. KESSLER: Mr. Examiner, I would like
12 to tender this witness as an expert in petroleum
13 land matters.

14 HEARING EXAMINER EZEANYIM: He is
15 accepted.

16 Q. (By Ms. Kessler) Would you please turn to
17 what's been marked as COG Number 1?

18 A. (Witness complies.)

19 Q. Please identify and explain what COG seeks
20 under this application.

21 A. This is the C-102 plat that was submitted
22 for the Airstrip Fee Com Number 1H well. It's
23 located in the east half/east half of Section 7 and
24 the east half/southeast of Section 6, Township 19
25 South, 35 East, Lea County, New Mexico.

1 We are seeking today the approval of a
2 nonstandard spacing and proration unit for the
3 Airstrip Fee Com Number 1H.

4 Q. And what is the acreage of the nonstandard
5 project area?

6 A. The acreage -- the dedicated acreage is
7 240 acres, east half/east half of Section 7 and the
8 east half/southeast of Section 6.

9 Q. And you seek to pool the mineral interests
10 underlying the nonstandard spacing unit?

11 A. We do.

12 Q. Are the working interests committed or are
13 you also seeking to pool them?

14 A. We are also seeking to pool the working
15 interests.

16 Q. Are you seeking to dedicate that
17 nonstandard spacing unit to the Airstrip Fee Com
18 Number 1H well?

19 A. We are.

20 Q. What are the surface hole locations?

21 A. The proposed surface hole location is at
22 190 feet from south line, 460 feet from east line in
23 Section 7 for the proposed bottom hole location,
24 2,180 feet from south line, and 510 feet from east
25 line in Section 6.

1 Q. And do you have an API number for this
2 well?

3 A. We do. Recalling from memory, it's
4 30-0254-1152, I believe.

5 Q. Is all of the project area fee land?

6 A. It is.

7 HEARING EXAMINER EZEANYIM: Can you repeat
8 the API number?

9 THE WITNESS: Yes, sir. 30-0254-1152.

10 HEARING EXAMINER EZEANYIM: Okay. Now,
11 let's go back to the surface location. What is the
12 surface location?

13 THE WITNESS: The surface location will be
14 in the southeast/southeast quarter of Section 7.

15 HEARING EXAMINER EZEANYIM: The footages?
16 You just mentioned the footages?

17 THE WITNESS: The footages, 190 feet from
18 the south line, 460 feet from the east line.

19 HEARING EXAMINER EZEANYIM: Okay. That is
20 the surface? Okay.

21 Do you have the penetration point?

22 THE WITNESS: The technical staff will
23 demonstrate that later.

24 HEARING EXAMINER EZEANYIM: Okay. But you
25 mentioned the bottom hole location. I just want to

1 get the information.

2 THE WITNESS: The bottom hole location,
3 2,180 feet from the south line, 510 feet from the
4 east line. The bottom hole location is in Section
5 6.

6 Q. (By Ms. Kessler) What pool is involved in
7 this application?

8 A. This will be Scharb-Bone Spring pool.

9 HEARING EXAMINER EZEANYIM: Okay. You're
10 answering my question. Now, let me write it down.

11 What is -- Scharb what?

12 THE WITNESS: That would be the
13 Scharb-Bone Spring pool.

14 HEARING EXAMINER EZEANYIM: Do you have
15 the code?

16 THE WITNESS: Not off of memory.

17 HEARING EXAMINER EZEANYIM: Don't worry.
18 I will get it.

19 Go ahead.

20 Q. (By Ms. Kessler) Are there special rules
21 for this pool?

22 A. There are. A vertical Bone Spring
23 producing well has a dedicated 80-acre spacing unit
24 and you must be within 200 feet from center on the
25 quarter-quarter section.

1 Q. So will this completed interval be in
2 compliance with the setback requirements defined by
3 these special rules?

4 A. It will.

5 HEARING EXAMINER EZEANYIM: What is that
6 second pool? Do you have the number of that second
7 pool?

8 THE WITNESS: I've got it in my materials
9 on the chair over there.

10 MR. CARR: Mr. Examiner, we can provide
11 that to you.

12 HEARING EXAMINER EZEANYIM: What does that
13 rule state?

14 THE WITNESS: The rules state that for a
15 vertical Bone Spring producer, a dedicated 80-acre
16 spacing unit. And then you have to be within
17 200 feet from center on the quarter-quarter section.

18 HEARING EXAMINER EZEANYIM: Okay.

19 Go ahead.

20 Q. (By Ms. Kessler) Have you been able to
21 identify the interest owners in the proposed
22 nonstandard spacing proration?

23 A. We have.

24 Q. Would you now please turn to what has been
25 marked as COG Exhibit Number 2.

1 A. (Witness complies.)

2 Q. And does this spreadsheet identify the
3 working interest owners of the nonstandard unit?

4 A. It does.

5 Q. Have you proposed the well to the interest
6 owners in Exhibit Number 2?

7 A. We have.

8 Q. And could you also identify in Exhibit
9 Number 2 the working interest owners who are
10 presently uncommitted to this well?

11 A. I sure can.

12 That would be Lynx Petroleum Consultants;
13 Bright Hawk/Burkhard Venture; the heirs or assigns
14 of James I. Riddle; W.A. Stockard; Big "6" Drilling
15 Company; Chester B. Benge, Junior; Marguerite B.
16 Griffith; Michael B. Stone; Jack Burnett; W.H.
17 Smith; and ExxonMobil.

18 HEARING EXAMINER EZEANYIM: Those in red
19 have committed, right?

20 THE WITNESS: Those in red have
21 term-assigned to COG Operating, LLC.

22 HEARING EXAMINER EZEANYIM: Okay. And
23 those in the other colors have not?

24 THE WITNESS: Those in other colors are
25 used just for ease of reference.

1 The ones that are uncommitted are not
2 highlighted on this spreadsheet. I can restate
3 those parties if I need to.

4 HEARING EXAMINER EZEANYIM: Yes. How many
5 of them are working interests?

6 THE WITNESS: There's --

7 HEARING EXAMINER EZEANYIM: How many of
8 them are working interests that have not committed?

9 THE WITNESS: The ones mentioned
10 previously are the working interest partners.
11 There's roughly 15.6 percent uncommitted interest in
12 this well.

13 HEARING EXAMINER EZEANYIM: Okay.

14 Q. (By Ms. Kessler) So approximately
15 85 percent have voluntarily committed to this?

16 A. That is correct.

17 Q. Do you also seek to pool mineral interest
18 owners?

19 A. We do.

20 Q. And can you tell me why?

21 A. There are four 1958 oil and gas leases
22 that are still in effect today that do not contain
23 pooling language in the leases.

24 And so we have to attempt to -- we
25 attempted to voluntarily pool them by sending out

1 lease amendments and getting them to ratify the
2 lease to include pooling language.

3 Q. Is Exhibit 3 a copy of the letter that you
4 sent to all of the interest owners that you seek to
5 pool?

6 A. It is.

7 Q. And was this subsequently amended as
8 reflected by Exhibit 4?

9 A. It was.

10 MS. KESSLER: And, Mr. Examiner, I would
11 like to note that our COG Exhibit 4 is approximately
12 the first 10 pages of the letter which is
13 approximately 500 pages total, which we would be
14 happy to provide to you if you would like.

15 HEARING EXAMINER EZEANYIM: No need.

16 Q. (By Ms. Kessler) Is Exhibit Number 5 the
17 AFE cost proposal?

18 A. It is.

19 Q. What is the date that the AFE was sent?

20 A. The date the AFE was sent to all working
21 interest parties was on January 20, 2014.

22 Q. And what are the dry hole and completion
23 costs?

24 A. The dry hole cost would be \$2,610,000. If
25 we were able to complete it, it would be an

1 additional \$6,621,500.

2 Q. In addition to sending Exhibits 3, 4, and
3 5, what other efforts has COG undertaken to obtain a
4 voluntary joinder for the remaining interest owners?

5 A. We have made several phone calls. We have
6 proposed generous terms to the working interest
7 owners for a term assignment, and just have been in
8 constant communication in order to get an agreement
9 reached.

10 Q. Please turn to the AFE cost proposal
11 included in Exhibit 5.

12 Are the costs reflected on the AFE in line
13 with the costs that Concho has incurred in similar
14 horizontal wells in this area?

15 A. They are.

16 HEARING EXAMINER EZEANYIM: What are those
17 costs?

18 THE WITNESS: The cost for this --

19 HEARING EXAMINER EZEANYIM: Almost
20 \$10 million, right?

21 THE WITNESS: This will be, since it's an
22 extended lateral, we have increased the cost
23 significantly. This will be the first extended
24 lateral in this area that we've drilled.

25 HEARING EXAMINER EZEANYIM: And that's in

1 the Bone Springs, right?

2 THE WITNESS: That is correct.

3 HEARING EXAMINER EZEANYIM: Okay.

4 Q. (By Ms. Kessler) In addition to this AFE,
5 has COG estimated the overhead and the costs while
6 drilling this well and while producing it, should
7 you be successful?

8 A. Yes, we have. While drilling we suggested
9 a \$7,500 rate. While producing, a \$750 rate.

10 Q. And are these costs in line with what COG
11 and other operators in the area charge for similar
12 wells?

13 A. They are.

14 Q. Do you ask that these administrative and
15 overhead costs be incorporated in any order
16 resulting from this hearing?

17 A. I do.

18 Q. Do you ask, as well, that they be adjusted
19 in accordance with the appropriate accounting
20 procedures?

21 A. Yes.

22 Q. And with respect to the interest owners
23 who remain uncommitted to this well, do your request
24 that the division impose a 200 percent risk penalty?

25 A. Yes.

1 Q. Now, let's talk about the formation of the
2 nonstandard unit.

3 Has COG brought a geologist here today to
4 testify about the unit?

5 A. We have.

6 Q. Did COG identify the operators or
7 ownerships of leased minerals in the 40-acre tracts
8 surrounding this proposal?

9 A. Yes, we have.

10 Q. Are the affected operators shown on
11 Exhibit Number 6?

12 A. Yes, they are.

13 Q. And did the owners of the leased mineral
14 interests receive notice of this hearing?

15 A. They sure did.

16 Q. Now, let's turn to COG Exhibit Number 7.

17 A. (Witness complies.)

18 Q. Is this an affidavit with attached copies
19 of the letters sent to the pool parties and also to
20 the owners of the leased mineral interests?

21 A. It is.

22 Q. Were you able to locate all of the working
23 interest owners?

24 A. We were.

25 Q. Did you give them notice of this hearing?

1 A. We did.

2 Q. And were you able to locate all of the
3 mineral interest owners?

4 A. We were not able to locate all of the
5 mineral interest owners.

6 Q. Did you give them notice of this hearing?

7 A. We -- yes, we did.

8 Q. Were you able to locate all of the offset
9 owners?

10 A. We were.

11 Q. And did you give them notice of this
12 hearing?

13 A. We did.

14 Q. Okay. Were there any parties that you
15 were not able to locate?

16 A. The mineral interest owners -- there were
17 a few parties unable to be located due to unforeseen
18 circumstances. The leases were from 1958.

19 Q. And can you tell me what efforts you made
20 to locate them?

21 A. Yes. We used internal research, our
22 records. We used internet research. We leveraged
23 our brokers that we have out in the field searching
24 the county records, peoplefinders.com.

25 And then also, correspondence with other

1 mineral interest owners in this well, asking if they
2 have known these folks or if they know where they
3 are today.

4 Q. And did you publish notice?

5 A. We did.

6 Q. And is that notice included as part of
7 Exhibit 7?

8 A. It is.

9 Q. Okay. In your opinion, have you made a
10 good faith effort to identify and give notice to the
11 interest owners?

12 A. I believe so.

13 Q. And were Exhibits 1 through 6 prepared or
14 compiled by you?

15 A. Yes.

16 MS. KESSLER: Mr. Examiner, I would like
17 to move to have Exhibits Number 1 through 7 admitted
18 into evidence, including Exhibit 7, which I
19 prepared.

20 HEARING EXAMINER EZEANYIM: Exhibits 1
21 through 7 will be admitted.

22 MS. KESSLER: Unless you have further
23 questions for Mr. Hopson, I have no further
24 questions.

25 HEARING EXAMINER EZEANYIM: Okay. Thank

1 you:

2 It is land use fee, right?

3 THE WITNESS: Yes.

4 HEARING EXAMINER EZEANYIM: Did you locate
5 everybody on your notices?

6 THE WITNESS: We located every working
7 interest owner. We located every offset owner. We
8 were unable to locate every mineral interest owner
9 at this point.

10 HEARING EXAMINER EZEANYIM: Okay.

11 Do you have a geologist to testify today?

12 MS. KESSLER: Yes, I do.

13 HEARING EXAMINER EZEANYIM: Okay. I think
14 the geologist will answer the rest of the questions.

15 THE WITNESS: Thank you.

16 MS. KESSLER: I would like to call
17 Mr. David DaGian.

18 HEARING EXAMINER EZEANYIM: Mr. DaGian,
19 you are already sworn. You are still under oath.

20 You may go ahead.

21

22

23

24

25

1 DAVID DAGIAN,

2 after having been first duly sworn under oath,

3 was questioned and testified as follows:

4 EXAMINATION

5 BY MS. KESSLER:

6 Q. Please state your name for the record and
7 tell the examiner by whom you're employed.

8 A. My name is David DaGian. I work for COG
9 Operating, LLC. I'm a geologist with focus in the
10 Delaware Basin.

11 Q. Have you previously testified before the
12 division?

13 A. Yes, I have.

14 Q. And at that point were your credentials as
15 a petroleum geologist accepted and made a matter of
16 public record?

17 A. Yes.

18 Q. Are you familiar with the application
19 that's been filed by COG in this case?

20 A. Yes.

21 Q. And have you conducted a geologic study of
22 this area?

23 A. Yes.

24 MS. KESSLER: Mr. Examiner, I would like
25 to tender the witness as an expert in geology

1 matters.

2 HEARING EXAMINER EZEANYIM: So qualified.

3 MS. KESSLER: Thank you.

4 Q. (By Ms. Kessler) Would you please turn to
5 what's been marked as COG Exhibit Number 8?

6 A. (Witness complies.)

7 Q. And begin with the legends. Please
8 identify what this exhibit is for the examiner and
9 walk us through it.

10 A. Sure. This is a lease map over the
11 Scharb-Bone Spring area.

12 HEARING EXAMINER EZEANYIM: Which page are
13 you on, Exhibit Number 8?

14 THE WITNESS: Yes.

15 MS. KESSLER: Yes.

16 THE WITNESS: With COG's acreage in yellow
17 in the middle, in the south half of Section 6 of 19
18 South, 35 East, and all of Section 7.

19 Our well, the Airstrip Fee Com Number 1H,
20 is displayed in red with the surface hole location
21 in the south as a square, and the bottom hole
22 location in the north in Section 6.

23 The other third Bone Spring horizontal
24 wells are denoted on the map in purple.

25 Q. (By Ms. Kessler) Okay. Would you please

1 turn to, what has been marked as COG Number 9?

2 A. (Witness complies.)

3 Q. And beginning with the legend, identify
4 this exhibit and walk us through it.

5 A. Sure. This is a third Bone Spring sand
6 structure map with 100-foot contour interval on the
7 top of the third Bone Spring sand across the unit
8 and the area of the Scharb-Bone Spring, again with
9 our acreage in yellow in Section 7 and in Section 6,
10 with Airstrip Fee Com denoted again in red on the
11 plat.

12 And all of the data points are on the map
13 with the subsea depths in red.

14 Q. Do you see any geological impediments in
15 this area?

16 A. No. In mapping this, I found no
17 pinch-outs or faulting or any other geological
18 impediment that would prevent us from drilling a
19 successful horizontal well in this area.

20 Q. Now, would you please turn to Exhibit
21 Number 10?

22 A. (Witness complies.)

23 Q. And beginning with the legend, identify it
24 and what the exhibit shows.

25 A. Sure. This is a cross-section map

1 overview of the Scharb-Bone Spring area with a
2 cross-section line drawn in blue from A to A prime,
3 A in the west and A prime in the east/southeast,
4 with our well, the Airstrip Fee Com 1H, again in the
5 red in 19 South, 35 East.

6 Q. Now, would you turn to Exhibit Number 11
7 and explain it?

8 A. Sure. This is a structural cross-section,
9 and that correlates to that cross-section overview
10 map again, A to A prime, four wells, A being in the
11 west and A prime being in the east, that shows the
12 third Bone Spring sand denoted by the purple line
13 and TBSG top, and the bottom of the third Bone
14 Spring sand, the Wolfcamp line drawn in red, with
15 our estimated lateral interval shown on the second
16 well from the left.

17 And basically, this shows that there's no
18 geologic impediment that would prevent us from
19 drilling a successful horizontal Bone Spring well,
20 and that each quarter-quarter section will produce,
21 on average, more or less equally to the production
22 of the well, and that this area can be efficiently
23 and economically developed using horizontal wells.

24 Q. Would you consider these wells to be
25 representative of wells in the area?

1 A. Yes.

2 Q. Now, would you please identify Exhibit
3 Number 12?

4 A. Sure. Number 12 is a wellbore diagram for
5 our completion design for the Airstrip Fee Com
6 Number 1H, and it's a cross-sectional view of the
7 wellbore diagram schematic showing our surface hole
8 location 190 feet from the south line of Section 7,
9 19 South, 35 East, and 460 feet from the east line
10 of Section 7, 19 South, 35 east.

11 And it goes down -- you'll see the
12 wellbore path and the lateral and the curve
13 displayed on there with our no closer than setbacks
14 for penetration point, first penetration point,
15 first take point at 460 from the north line of Unit
16 I in Section 6 of 19 South, 35 East.

17 HEARING EXAMINER EZEANYIM: 460 from
18 where?

19 THE WITNESS: It will be the first take
20 point at the end of the lateral, at the toe of the
21 lateral, will be 460 feet from the no closer than
22 460 feet from the north line of Unit I in Section 6.

23 And the last take point at the heel of the
24 well will be no closer than 460 feet from the south
25 line of Section 7 of 19 South, 35 East.

1 HEARING EXAMINER EZEANYIM: Okay. You
2 have read the special pool with case 80-acre -- I
3 don't know what the setback requirements are.

4 Do you know?

5 THE WITNESS: Yes. It's -- you can be no
6 closer than 200 feet from the center of a
7 quarter-quarter. So in essence, you can be no
8 closer than 460 feet from the line of a
9 quarter-quarter.

10 HEARING EXAMINER EZEANYIM: I wonder why
11 they did that before. Why did they want to do 200
12 from the quarter-quarter section? It doesn't make
13 sense. If we need to repeal those --

14 MR. CARR: Many years ago there was an
15 engineer who couldn't figure out why you drilled
16 wells and drained circles in hundred spacing that
17 were squares and rectangles, and this was an attempt
18 to reconcile that.

19 HEARING EXAMINER EZEANYIM: You were
20 there, then. That doesn't make sense. I hear some
21 of them say 150 feet from the center of the
22 quarter-quarter section. I don't know.

23 MR. CARR: Mr. Examiner, it was a very
24 forceful engineer, and he told me this, and it makes
25 sense.

1 HEARING EXAMINER EZEANYIM: No, it
2 doesn't.

3 MR. CARR: Only because he was telling me
4 so, and there was no room to question him.

5 HEARING EXAMINER EZEANYIM: I know,
6 because you're not an engineer anyway.

7 But you know those rules are what is
8 giving me trouble right now. I don't know why they
9 are not going to be, you know, 150 from the center
10 of the quarter-quarter section. It doesn't make
11 sense at all.

12 MR. CARR: This wellbore is at the
13 completed interval is what he said.

14 HEARING EXAMINER EZEANYIM: Yeah. I mean,
15 we are complying with the rule until we change it.
16 I mean, that's what he's demonstrating on this
17 diagram.

18 Okay. Go ahead. I'm sorry. It is just
19 annoying.

20 Q. (By Ms. Kessler) But to reiterate, the
21 completed interval will be within the required
22 setbacks of the special rule?

23 A. Yes, that is correct.

24 Q. How soon do you need to drill this well?

25 A. We have lease expirations beginning in

1 July of this year.

2 Q. So is COG asking that this order be
3 expedited?

4 A. Yes.

5 Q. In your opinion, would the granting of
6 COG's application be in the best interest of
7 conservation and in the prevention of waste and for
8 the protection of correlative rights?

9 A. Yes.

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

12 A. Yes, they were.

13 MS. KESSLER: Mr. Examiner, I would like
14 to move to have these exhibits admitted into
15 evidence.

16 HEARING EXAMINER EZEANYIM: Which
17 exhibits?

18 MS. KESSLER: Exhibits 8 through 12.

19 HEARING EXAMINER EZEANYIM: Exhibits 8
20 through 12 will be admitted.

21 MS. KESSLER: And I have nothing further
22 from Mr. DaGian unless you have questions.

23 HEARING EXAMINER EZEANYIM: Thank you very
24 much.

25 Let's start with Exhibit Number 8. I see

1 the ownership in yellow. Is that identical
2 ownership or -- in that yellow color of Section 6
3 and 7.

4 You know what I mean? Is that ownership
5 identical?

6 THE WITNESS: I'm not familiar with that.
7 That would be more the land --

8 HEARING EXAMINER EZEANYIM: Okay. The
9 land people will know that? Okay. So you're a
10 geologist. Okay.

11 Well, I don't know -- nobody else is here
12 for COG. That's fine. Let's ask him that question.

13 How do you plan, as the geologist, to
14 develop the rest of those acres? Are you going to
15 drill identical 240s?

16 THE WITNESS: Yes, sir, Mr. Examiner. We
17 plan to fully utilize this acre doing a similar plan
18 with three more horizontal wells to fully develop
19 this, our acreage here on 240 acres.

20 HEARING EXAMINER EZEANYIM: Three more,
21 making it four.

22 THE WITNESS: Making it four wells in this
23 section.

24 HEARING EXAMINER EZEANYIM: On the same
25 land, 240 acres, right?

1 THE WITNESS: Yes, sir.

2 HEARING EXAMINER EZEANYIM: Is that what
3 you intend to do?

4 THE WITNESS: Yes.

5 HEARING EXAMINER EZEANYIM: That's why I
6 was asking you whether the ownership is identical.
7 Of course it's not, because it is -- you are really
8 asking for compulsory pooling. I got the answer
9 now. Okay.

10 Go to the rest of that north half of
11 Section 6. Who drilled that well on the north half
12 of Section 6?

13 THE WITNESS: I'll have to get back with
14 you on that well specifically.

15 HEARING EXAMINER EZEANYIM: It's not your
16 well?

17 THE WITNESS: It's not our well, no.

18 HEARING EXAMINER EZEANYIM: I don't know
19 how that Section 6 is going to be developed. I
20 don't know whether the direction of the well -- you
21 know, I don't know. It's really kind of -- the way
22 it is oriented in the diagram.

23 You say you don't know who drilled the
24 well, right?

25 THE WITNESS: I believe it is Mewbourne,

1 but I'd like to get back with you on that well name
2 specifically.

3 HEARING EXAMINER EZEANYIM: I really would
4 like to know what is going on with that north half
5 of Section 6.

6 Do you know what I mean?

7 THE WITNESS: Yes.

8 HEARING EXAMINER EZEANYIM: Because you
9 know, as you know, now we are dealing with
10 horizontal wells crossing section boundaries. And
11 when crossing section boundaries, we need to make
12 sure we are not stranding some acreage. That's why
13 I'm asking these questions.

14 I don't want to strand some acreage and
15 not have Section 6. So if that would be developed
16 by Mewbourne, or if you -- and the way that you
17 fracture, we can begin to consider this application.

18 And the other -- okay. By the side of
19 your well on Section 12, you don't know who drilled
20 those ones?

21 THE WITNESS: Section 12? Those are our
22 wells.

23 HEARING EXAMINER EZEANYIM: Those are your
24 wells? Okay.

25 THE WITNESS: Yes, sir.

1 HEARING EXAMINER EZEANYIM: You are
2 drilling one-mile wells down there, right?

3 THE WITNESS: Yes. Our acreage position
4 there was in the east half of Section 12, so we
5 drilled one-mile laterals.

6 HEARING EXAMINER EZEANYIM: And then you
7 don't have anything in Section 1? You don't have
8 anything in Section 1, right?

9 THE WITNESS: No. That's correct.

10 HEARING EXAMINER EZEANYIM: Okay. That's
11 why you don't want to drill 240s?

12 THE WITNESS: Right. We're seeking to do
13 four extended laterals here in 240, to minimize the
14 number of wells it will take to fully develop this
15 area.

16 HEARING EXAMINER EZEANYIM: Yes. Yeah.
17 That's what I'm trying to find out. Because yeah,
18 here you are drilling 240s and here you're drilling
19 160s, you know.

20 So if you don't -- so that makes sense
21 there.

22 THE WITNESS: Uh-huh.

23 HEARING EXAMINER EZEANYIM: But anyway,
24 those are not the subject of the case.

25 But I need to look at surrounding acreage.

1 COG is very good at this, and I always look to make
2 sure that they -- their acreage. I need to point
3 that out.

4 THE WITNESS: Right.

5 HEARING EXAMINER EZEANYIM: Because I'm
6 really encouraged with them when they do it.

7 But I would really like to know who
8 drilled that well in the north half of Section 6.

9 THE WITNESS: Okay.

10 HEARING EXAMINER EZEANYIM: The name of
11 that well and -- you know, I don't know.

12 THE WITNESS: Okay.

13 HEARING EXAMINER EZEANYIM: Is that noted?
14 I'm going to note that I need the name of that well.

15 MS. KESSLER: Yes, sir. We'll get back to
16 you as soon as we can on that.

17 Our landman can answer that question, if
18 you would like to -- if we can recall him.

19 HEARING EXAMINER EZEANYIM: Okay. If we
20 recall him, he knows the name of the well and who
21 owns it? I can call him.

22 WITNESS HOPSON: The operators --

23 HEARING EXAMINER EZEANYIM: You don't have
24 to answer that. I can call you. If you can answer
25 the question I can call you to the stand, but let me

1 finish with the geologist. I don't require that
2 answer right now.

3 Now, did you do any acts to map in this
4 area to determine the orientation?

5 THE WITNESS: To determine the orientation
6 specifically?

7 HEARING EXAMINER EZEANYIM: Yes.

8 THE WITNESS: We used interpretations of
9 stress regimes and production.

10 HEARING EXAMINER EZEANYIM: Stress what?

11 THE WITNESS: Maximum horizontal stress
12 regimes in the area.

13 HEARING EXAMINER EZEANYIM: How do you do
14 maximum stress regimes?

15 THE WITNESS: We used sonic logs and FMIs.
16 We had those interpreted. Those are company
17 information. That's why we don't -- we haven't made
18 them public.

19 HEARING EXAMINER EZEANYIM: Oh, they are
20 confidential information?

21 THE WITNESS: Yes, sir.

22 HEARING EXAMINER EZEANYIM: What did they
23 tell you?

24 THE WITNESS: We believe strongly that a
25 north/south orientation in this area, specifically

1 in this section, will be favorable for the
2 production of the well.

3 HEARING EXAMINER EZEANYIM: Did that also
4 tell you that each quarter-quarter section will
5 contribute equally here?

6 THE WITNESS: Yes.

7 HEARING EXAMINER EZEANYIM: How do you
8 know that? From FMI? How?

9 THE WITNESS: We know that due to other
10 wells that we've drilled in this area, like Section
11 12. Those two wells are air cover wells. And we
12 know that due to that north/south orientation, in
13 studying the east/west wells in the area and
14 comparing the production of the two wells, it's
15 pretty evident to us that a north/south orientation
16 is definitely favorable for the production of the
17 well and for the quarter-quarter sections to
18 contribute equally.

19 HEARING EXAMINER EZEANYIM: Okay. No
20 further questions of this witness.

21 MS. KESSLER: Mr. Examiner, if it is okay
22 with you I would like to recall Mr. Caleb Hopson so
23 he can answer your question about the north half of
24 Section 6.

25 HEARING EXAMINER EZEANYIM: Yeah, you may,

1 on that Exhibit Number 8.

2 Go ahead.

3 CALEB HOPSON,

4 after having been previously duly sworn under oath
5 was questioned and testified further as follows:

6 EXAMINATION

7 BY MS. KESSLER:

8 Q. So if you could please turn to Exhibit
9 Number 8. And if you will see the yellow acreage,
10 which is the -- or the area that's just north of the
11 yellow acreage in Section 6, the north half, are you
12 familiar with the operator of this well?

13 A. I am.

14 Q. Who is that?

15 A. The operator of that well is Mewbourne Oil
16 Company. They operate the Merit 6 State Com 1H, I
17 believe to be the well name.

18 HEARING EXAMINER EZEANYIM: The well name
19 is what?

20 THE WITNESS: The Merit 6 State Com 1H.

21 HEARING EXAMINER EZEANYIM: Okay. Did you
22 look at the well? Did you look -- are you done?

23 MS. KESSLER: Yes.

24 HEARING EXAMINER EZEANYIM: Did you look
25 at that well performance? Did you look at the well

1 performance for that well?

2 THE WITNESS: The only performance I've
3 looked at is utilizing the NMOCD online website and
4 what production results have been uploaded from
5 there.

6 And I can't recall directly the numbers
7 that were stated online. It was significantly
8 lower, and I can certainly state that, than our --
9 our wells in Section 12, the Aircobe wells, that are
10 in a north/south standup orientation.

11 HEARING EXAMINER EZEANYIM: Did that --
12 that well was -- it went from the north half/north
13 half to the south half/north half, right?

14 THE WITNESS: Right. The ones in Section
15 2 are in the east half standup laterals. The Merit
16 well in the north half of 6 is a laydown by
17 Mewbourne Oil Company.

18 HEARING EXAMINER EZEANYIM: Okay. That
19 will help me.

20 Do you have anything to say about that
21 well?

22 THE WITNESS: Nothing to say about that
23 well.

24 HEARING EXAMINER EZEANYIM: Okay. You may
25 step down.

1 THE WITNESS: Thank you.

2 MS. KESSLER: Mr. Examiner, that concludes
3 COG's presentation. I can provide you with the
4 proposed order. If that would be helpful please let
5 me know. Otherwise, I ask that this case be taken
6 under advisement.

7 HEARING EXAMINER EZEANYIM: Okay. Yes, if
8 you provide the proposed order, that's okay.

9 MS. KESSLER: Okay.

10 HEARING EXAMINER EZEANYIM: It's not all
11 of the conclusions that we will give you, but that
12 would be helpful. The time line is July. Is that
13 what you said?

14 MS. KESSLER: Correct. We have lease
15 expiration in July.

16 HEARING EXAMINER EZEANYIM: Okay. If you
17 can provide that we can use it. Maybe we can get
18 it -- there's a bunch of work to do.

19 MR. CARR: And we will also provide
20 Scharb-Bone Spring pools and incorporate those into
21 the proposed wells.

22 HEARING EXAMINER EZEANYIM: Exactly.
23 Anything further?

24 MS. KESSLER: No, thank you.

25 HEARING EXAMINER EZEANYIM: At this point,

1 Case Number 15105 will be taken under advisement.

2 (Proceedings concluded.)

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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. 15105
heard by me on 3/30/11

Oil Conservation Division Examiner

CERTIFICATE

I, Paul Baca, RPR, CCR in and for the
State of New Mexico, do hereby certify that the
above and foregoing contains a true and correct
record, produced to the best of my ability via
machine shorthand and computer-aided transcription,
of the proceedings had in this matter.

Paul Baca

PAUL BACA, RPR, CCR
Certified Court Reporter #112
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