

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

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2014 MAR 11 10:50  
CASE #15098

3 APPLICATION OF COG OPERATING, LLC  
4 FOR A NON-STANDARD SPACING AND  
5 PRORATION UNIT AND COMPULSORY POOLING,  
6 EDDY COUNTY, NEW MEXICO.

ORIGINAL

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

8

March 6, 2014

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Santa Fe, New Mexico

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BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, Phillip  
Goetze, Chief Examiner, on Thursday, March 6, 2013,  
at the New Mexico Energy, Minerals and Natural  
Resources Department, 1220 South Francis Drive,  
Porter Hall, Room 102, Santa Fe, New Mexico.

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REPORTED BY: Paul Baca, CCR, RPR  
New Mexico CCR #112  
Paul Baca Professional Court Reporters  
500 4th Street, NW - Suite 105  
Albuquerque, New Mexico 87102

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1	APPEARANCES	
2	FOR APPLICANT COG OPERATING, LLC:	
3	MICHAEL H. FELDERWERT, ESQ.	
4	HOLLAND & HART	
5	110 North Guadalupe, Suite 1	
6	Santa Fe, NM 87501	
7	(505) 988-4421	
8	mfelderwert@hollandhart.com	
9		PAGE
10	Case Number 15098 Called	
11	COG Operating, LLC's Case-In-Chief:	3
12	Witnesses:	
13	JOSEPH SCOTT	
14	Direct Examination by Mr. Felderwert	3
15	Cross-Examination by Examiner Goetze	11
16	GREG CLARK	
17	Direct Examination by Mr. Felderwert	12
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24	COG Exhibits 1 - 4	10
25	COG Exhibits 5 - 8	16

1 (8:22 a.m.)

2 HEARING EXAMINER GOETZE: Case 15098,  
3 Application of COG Operating, LLC, for a  
4 non-standard spacing and proration unit and  
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. FELDERWERT: May it please the  
8 Examiner, Michael Felderwert with the Santa Fe  
9 office of Holland & Hart, appearing on behalf of the  
10 applicant. I have two witnesses today.

11 HEARING EXAMINER GOETZE: Would the  
12 witnesses please stand and identify themselves, and  
13 would the clerk swear them in.

14 (Witnesses sworn in.)

15 JOSEPH SCOTT,  
16 having been first duly sworn, testified as follows:

17 EXAMINATION

18 BY MR. FELDERWERT:

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

21 A. Joseph Scott, COG Operating, LLC, landman.

22 Q. Mr. Scott, have you previously testified  
23 before this division and had your credentials as a  
24 petroleum landman accepted and made a matter of  
25 public record?

1           A.     Yes.

2           Q.     Are you familiar with the application  
3     filed in this case?

4           A.     Yes.

5           Q.     Have you conducted a study of the subject  
6     water?

7           A.     Yes.

8                   MR. FELDERWERT:  Mr. Examiner, I would  
9     re-tender Mr. Scott as an expert witness in  
10    petroleum land matters.

11                   HEARING EXAMINER GOETZE:  He is so  
12    qualified.

13           Q.     (By Mr. Felderwert)  Would you been kind  
14    enough to turn to Exhibit No. 1, and first identify  
15    it and then explain to the examiner what the company  
16    seeks under this application?

17           A.     The yellow indicates COG's acreage.  The  
18    square located in Section 33, 18 south 26 east, is  
19    the surface hole location.  And the circle in the  
20    southwest-southwest Section 4, 19 south 26 east, is  
21    the bottom hole location.  And the red line  
22    indicates the horizontal well that we propose to  
23    dedicate a 160-acre nonstandard spacing unit to the  
24    west half-west half of 19 South 26 East.  We propose  
25    to dedicate these acres to the Sherman 4 Fee Number

1 10H.

2 Q. In what formation do you seek?

3 A. Yeso formation.

4 Q. Now, this particular well is going to have  
5 its surface location in Section 33 to the north of  
6 Section 4?

7 A. Correct.

8 Q. And then the well -- the completed  
9 interval for the well would be on the west half of  
10 the west half of Section 4?

11 A. That's correct.

12 Q. Would the completed interval comply with  
13 all of the setback requirements under the division  
14 rules?

15 A. Yes.

16 Q. Has the company received an API number yet  
17 for this well?

18 A. We have not.

19 Q. What pool is involved in this application?

20 A. It's the Atoka Glorieta formation, the  
21 Yeso -- Glorieta Yeso formation.

22 MR. FELDERWERT: I think it's the Atoka  
23 Gloria Yeso Pool.

24 HEARING EXAMINER GOETZE: Okay.

25 MR. FELDERWERT: And Mr. Examiner, that is

1 pool code 3250.

2 Q. (By Mr. Felderwert) Is Section 4 all fee  
3 lands?

4 A. Yes.

5 Q. If I turn to what has been marked as COG  
6 Exhibit No. 2, is this an ownership plat that  
7 identifies, first, the ownership by tract?

8 A. Yes.

9 Q. Okay. If I flip over, then, to the second  
10 page of this exhibit at the bottom, does it provide  
11 the percentage ownership in the spacing unit as a  
12 hole at the bottom?

13 A. Yes.

14 Q. What interest do you seek to pool?

15 A. The interest shown in the yellow.

16 Q. And that is at the bottom of the second  
17 page of Exhibit 2?

18 A. Yes.

19 Q. Now, with respect to these particular  
20 interest owners, have you been in touch with Oxy  
21 about this application?

22 A. Yes, I have.

23 Q. Have you sent to them a JOA?

24 A. Yes.

25 Q. And are they reviewing it?

1           A.     Yes, they are.

2           Q.     And with respect to the New Mexico Highway  
3     and Transportation Department, have you previously  
4     had to deal with that particular agency?

5           A.     Yes. And also we have sent a proposal to  
6     them. A right-of-way was given. There's a question  
7     as to the intent of the -- of the assignment where  
8     it assigns not only the surface but the minerals.  
9     The highway isn't recognizing the ownership in the  
10    minerals; however, the deed conveys the minerals, so  
11    they are under review and not in a position right  
12    now where they can actually lease to us or  
13    participate in the well.

14          Q.     And that's why you're seeking to pool them  
15    here today?

16          A.     Yes.

17          Q.     Okay. Now, with respect -- you also  
18    identify on here two estates and then a trustee  
19    under a will for the -- for Kenneth Hunter. What is  
20    the circumstance with respect to those particular  
21    interests?

22          A.     We received a rough draft title opinion on  
23    Monday. And we -- we thought we had all the mineral  
24    interests identified and leased. These parties were  
25    identified and, therefore, we have -- we are going

1 to file a publication for the estates where  
2 marketable title lies.

3 Their heirs/devisees have not been  
4 identified for the Robert Stevenson estate or the  
5 Chester Hunter estate. A will proposal has been  
6 sent yesterday to Nellie Hunter as her separate  
7 property, and Nellie Hunter as trustee of the  
8 Kenneth Hunter trust.

9 Q. So as part of the preparation for this  
10 hearing here today, your company obtained recently a  
11 drilling opinion?

12 A. Yes.

13 Q. Or a title opinion?

14 A. Yes.

15 Q. And these particular interests showed up  
16 for the first time?

17 A. Yes, they did.

18 Q. Okay. So are we going to -- so at this  
19 point in time, they have not been given timely  
20 notice?

21 A. They have not.

22 Q. All right. And we intend to ask for a  
23 continuance of the case for four weeks so that these  
24 new interests receive proper notice of the hearing?

25 A. Yes.

1 Q. Now, with respect to the remaining  
2 interests that were involved here, did you send a  
3 well proposal letter to all of these parties?

4 A. Yes.

5 Q. Okay. If I turn to what has been marked  
6 as COG Exhibit No. 3, is that the well proposal that  
7 was submitted to the interest owners of record at  
8 that time?

9 A. Yes.

10 Q. And does it contain an AFE?

11 A. Yes.

12 Q. Are the costs that are reflected on this  
13 AFE, are they consistent with what the company has  
14 incurred for drilling similar horizontal wells?

15 A. Yes.

16 Q. If I look, Mr. Scott, on the first page of  
17 this Exhibit No. 3, about halfway down does it  
18 identify the overhead and the administrative costs  
19 for this well?

20 A. Yes, it's \$5,450 per drilling and \$545 for  
21 producing rate.

22 Q. And are those the overhead and  
23 administrative costs that you are asking that the  
24 division incorporate into an order for this case?

25 A. Yes.

1 Q. Did the company also identify the leased  
2 mineral interest owners in the 40-acre tracts  
3 surrounding a proposed non-standard unit?

4 A. Yes.

5 Q. Have those interest owners been included  
6 in the notice of this hearing?

7 A. Yes.

8 Q. And is COG, Exhibit No. 4, an affidavit  
9 prepared by my office with the attached letters  
10 providing notice of this hearing to these affected  
11 parties?

12 A. Yes.

13 Q. Mr. Scott, were exhibits 1 through 3  
14 prepared by you or compiled under your direction and  
15 supervision?

16 A. Yes.

17 MR. FELDERWERT: Mr. Examiner, at this  
18 point I would move the admission into evidence of  
19 COG Exhibits 1 through 4, which includes my  
20 affidavit.

21 HEARING EXAMINER GOETZE: Exhibits 1  
22 through 4 are so entered.

23 (COG Exhibits 1 through 4 were offered and  
24 admitted into evidence.)

25 Q. (By Mr. Felderwert) Now, Mr. Scott, has

1 the company also brought a geologists here today to  
2 testify in support of this application?

3 A. Yes.

4 Q. Okay. But at the completion of this  
5 hearing, do you ask that the matter be continued for  
6 four weeks to allow additional notice or to allow  
7 notice to these recently-discovered estates?

8 A. Yes.

9 Q. Okay. Mr. Examiner, that concludes my  
10 examination of this witness.

11 HEARING EXAMINER GOETZE: Just one  
12 question. On the New Mexico State DOT, they have  
13 the title, or the deed -- mineral deed?

14 THE WITNESS: Yes, they do.

15 HEARING EXAMINER GOETZE: So there's no  
16 question it's theirs.

17 THE WITNESS: There's no question it's  
18 theirs, yes. They --

19 HEARING EXAMINER GOETZE: Go ahead.

20 THE WITNESS: The intent is in question.

21 HEARING EXAMINER GOETZE: Well, it's been  
22 brought to our attention that DOT is trying to  
23 utilize some of their resources, so they have come  
24 to inquire, they're trying to communicate with them.

25 No further questions for this witness.

1 GREG CLARK,  
2 having been previously sworn, testified as follows:

3 EXAMINATION

4 BY MR. FELDERWERT:

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

8 A. Greg Clark. I work for Concho as a  
9 geologist.

10 Q. Mr. Clark, have you previously testified  
11 before this division and had your credentials as a  
12 petroleum geologist accepted and made a matter of  
13 public record?

14 A. Yes.

15 Q. Are you familiar with this application?

16 A. Yes.

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

19 A. I have.

20 MR. FELDERWERT: At this point, then,  
21 Mr. Examiner, I would tender Mr. Clark as an expert  
22 witness in petroleum geology.

23 HEARING EXAMINER GOETZE: He is so  
24 qualified.

25 Q. (By Mr. Felderwert) Mr. Clark, would you

1 please turn to COG Exhibit No. 5. First identify  
2 what it is, and then explain to the examiner what it  
3 shows.

4 A. Sure. This is a regional structure map on  
5 top of the Paddock formation. As you can see, it  
6 shows regional dip that goes from the northwest to  
7 the southeast, towards the basin. We are on the  
8 shelf edge margin of the Delaware basin in this  
9 area.

10 We have producing fields that are  
11 highlighted in blue. We also -- it shows our  
12 acreage and the Sherman 4H10 Fee well that we have  
13 proposed to drill. We have Paddock Producers in red  
14 and Blinebry Producers in blue.

15 The main purpose of this is to show that  
16 there is no major geological structures that would  
17 keep us from developing this area using the  
18 horizontal well.

19 Q. Mr. Clark, were you able to develop a  
20 cross-section for this area?

21 A. Yes.

22 Q. If I turn to what has been marked as COG  
23 Exhibit No. 6, does it identify the wells that are  
24 included within your cross-section?

25 A. Yes, it does.

1 Q. One of them includes a well in Section 4;  
2 is that right?

3 A. That's correct.

4 Q. In your opinion, are these wells  
5 representative of the area?

6 A. Yes, they are.

7 Q. If I then turn to what has been marked as  
8 COG Exhibit No. 7, is this the actual type logs that  
9 correspond with the wells shown on Exhibit No. 6?

10 A. Yes, they are.

11 Q. Okay. Would you orient us and then  
12 explain to the examiner what this shows?

13 A. Sure. Going from left to right would be  
14 the line of section going from the south to the  
15 northeast in the three-well cross-section area.

16 This is a gamma ray and neutron density  
17 logs. Gamma ray is in the left tract and the  
18 neutron density is in the right tract. You can see  
19 the well -- oh, this is a stratigraphic  
20 cross-section. The structural component has been  
21 taken out in order to show the stratigraphic  
22 relationship and consistencies in the area that we  
23 feel is representative of the area.

24 As you can see, there's similar  
25 porosities; log characteristics are the same; and

1     there is no big thickening or thinning throughout  
2     this area.

3             The well to the right, as you can see in  
4     the depth tract with the red rectangles is  
5     indicative of the perforated interval within the  
6     Paddock that that vertical well was completed.

7             The well in the middle is a COG vertical  
8     well, excuse me, that has been completed in the  
9     Blinebry and has not been completed in the Paddock.

10            And then the well to the left was a COG  
11     pilot hole, so therefore we have not completed  
12     anything in the vertical well.

13            You'll notice by the bracket it is  
14     representative of the lateral interval in which we  
15     intend to land the well and go horizontal.

16            Q.     Mr. Clark, what conclusions have you drawn  
17     from your study?

18            A.     I've concluded that there are no geologic  
19     impediments that would keep us from developing this  
20     area using horizontal wells. I also feel that it  
21     can be efficiently and effectively developed using  
22     horizontal wells. And also I feel like the well on  
23     average will contribute more or less equally to the  
24     total production of the well.

25            Q.     Now, there was testimony that the

1 completed interval for this well will comply with  
2 the setback requirements under the divisions rules?

3 A. Yes.

4 Q. If I turn to what has been marked as COG  
5 Exhibit No. 8. Is this a well diagram demonstrating  
6 compliance with the setback?

7 A. Yes, it is.

8 Q. In your opinion, Mr. Clark, will the  
9 granting of this application be in the best interest  
10 of conservation, in the prevention of waste, and  
11 protection of rights?

12 A. Yes.

13 Q. Were COG Exhibits 5 through 8 prepared by  
14 you or compiled under your direction or supervision?

15 A. Yes, they were.

16 MR. FELDERWERT: Mr. Examiner, at this  
17 time I would move the admission into evidence of COG  
18 exhibits 5 through 8.

19 HEARING EXAMINER GOETZE: Exhibits 5  
20 through 8 are admitted.

21 (COG Exhibits 5 through 8 were offered and  
22 admitted into evidence.)

23 MR. FELDERWERT: And that concludes my  
24 examination of this witness.

25 HEARING EXAMINER GOETZE: Very good. A

1 few questions, please. Exhibit 6.

2 THE WITNESS: Yes.

3 HEARING EXAMINER GOETZE: Whose over in  
4 Section 5 there?

5 THE WITNESS: That would be COG.

6 HEARING EXAMINER GOETZE: Okay. Why the  
7 change in orientation at this point? I notice that  
8 33 is north south, and certainly down in Section 8  
9 it's north south; 5 was east west.

10 Is there some significant reason for the  
11 orientation change?

12 A. As you can see, we also drilled a well  
13 which is the Sherman 4H that's in the east half of  
14 the section that's north south. And that well has  
15 been on line for quite a while. But in terms of a  
16 maximum horizontal stress direction, we feel that it  
17 isn't in a northwest to southeast direction, so  
18 therefore the stand-up or lay-down should not have  
19 any bearing on the completion.

20 HEARING EXAMINER GOETZE: Okay. So it's  
21 more driven by opportunity than --

22 THE WITNESS: Yes, sir.

23 HEARING EXAMINER GOETZE: -- than geology  
24 per se.

25 THE WITNESS: Yes, sir, land issues and

1 things of that nature. And then we have done quite  
2 a bit of signs study out here to determine SH max,  
3 and we have seen that there is really no difference  
4 in the lay-down versus the stand-up.

5 HEARING EXAMINER GOETZE: Just one more  
6 question: On the stone wall 9 fee, the pilot was  
7 drilled but no information was attained on the  
8 Paddock, per se.

9 THE WITNESS: Well, we drilled the pilot  
10 hole to help us -- we needed a little more control  
11 in the area; we were very limited. So we drilled  
12 the pilot hole to help us get a better handle on  
13 where we wanted to land the horizontal well. So  
14 we've drilled the horizontal well, and it's been  
15 completed at this point.

16 HEARING EXAMINER GOETZE: That one is in  
17 Blinebry?

18 THE WITNESS: No, that's in the Paddock.

19 HEARING EXAMINER GOETZE: It's in the  
20 Paddock. Okay.

21 THE WITNESS: Yes, sir.

22 HEARING EXAMINER GOETZE: Okay. No other  
23 questions for this witness?

24 Based on the fact that you still have  
25 notification information to provide to us, we'll go

1 ahead and continue this case until the April 3rd  
2 docket, and therefore we'll move on to the next  
3 case.

4 MR. FELDERWERT: Thank you, Mr. Examiner.

5 HEARING EXAMINER GOETZE: Are you staying  
6 up here?

7 MR. FELDERWERT: I'm staying up here, yes.

8 (Proceedings concluded at 8:38 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 March 6 2014

 , Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3

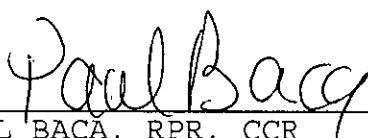
4 CERTIFICATE OF COURT REPORTER

5 I, PAUL BACA, New Mexico Certified Court  
6 Reporter No. 112, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and  
9 that the foregoing pages are a true and correct  
10 transcript of those proceedings that were reduced to  
11 printed form by me to the best of my ability.

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

16 I FURTHER CERTIFY that I am neither  
17 employed by or related to any of the parties or  
18 attorneys in this case and that I have no interest  
19 in the final disposition of this case.  
20

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