

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,
7 L.L.C. FOR A NONSTANDARD SPACING
8 AND PRORATION UNIT AND COMPULSORY
9 POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 15114

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 May 1, 2014

13 Santa Fe, New Mexico

14 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

RECEIVED OGD
2014 MAY 19 P 3:20

15
16
17
18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Phillip Goetze,
20 Chief Examiner, on Thursday, May 1, 2014, at the New
21 Mexico Energy, Minerals and Natural Resources
22 Department, 1220 South St. Francis Drive, Porter Hall,
23 Room 102, Santa Fe, New Mexico.

24 REPORTED BY: Mary C. Hankins, CCR, RPR
25 New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT COG OPERATING, L.L.C.:

3 MICHAEL H. FELDEWERT, ESQ.
 4 HOLLAND & HART
 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501
 5 (505) 988-4421
 mfeldewert@hollandhart.com

6

7

8 INDEX

PAGE

9 Case Number 15114 Called

3

10 COG Operating, L.L.C.'s Case-in-Chief:

11 Witnesses:

12 Jeff Lierly:

13 Direct Examination by Mr. Feldewert
 Cross-Examination by Examiner Goetze

3

10

14

David DaGian:

15

16 Direct Examination by Mr. Feldewert
 Cross-Examination by Examiner Goetze

11

15

17 Proceedings Conclude

16

18 Certificate of Court Reporter

17

19

20

EXHIBITS OFFERED AND ADMITTED

21

22 COG Operating, L.L.C. Exhibit Numbers 1 through 5

10

23

24 COG Operating, L.L.C.'s Exhibit Numbers 6 through 9

15

25

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(9:13 a.m.)

EXAMINER GOETZE: Let's go ahead with Case 15114, application of COG Operating, L.L.C. for a nonstandard spacing and proration unit and compulsory pooling, Lea County, New Mexico.

Call for appearances.

MR. FELDEWERT: May it please the Examiner, Michael Feldewert, with the Santa Fe office of the law firm of Holland & Hart, appearing on behalf of the Applicant. I have two witnesses here today.

EXAMINER GOETZE: Will the witnesses please stand, identify yourselves and be sworn in?

MR. DaGIAN: David DaGian.

MR. LIERLY: Jeff Lierly, L-I-E-R-L-Y.

EXAMINER GOETZE: Proceed.

(Mr. DaGian and Mr. Lierly sworn.)

JEFF LIERLY,

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

DIRECT EXAMINATION

BY MR. FELDEWERT:

Q. Please state your name, identify by whom you are employed and in what capacity.

A. Jeff Lierly. I'm a landman for COG Operating, LLC on their New Mexico basin asset.

1 Q. And have you been previously testified before
2 this Division?

3 A. No, I have not.

4 Q. Would you please provide to the Examiner your
5 educational background?

6 A. I graduated with a B.B.A. in economics and
7 finance from the University of Oklahoma in December of
8 2006. I'm currently a graduate student at University of
9 Oklahoma with an Executive MBA in the energy program and
10 a completion date of March 2015.

11 Q. And what has been your work history since you
12 graduated from the University of Oklahoma in 2006?

13 A. I worked for Bank of Oklahoma in their wealth
14 management department for approximately 18 months before
15 moving to Pittsburgh, Pennsylvania to become an
16 independent landman. I worked as an independent landman
17 from July 2008 until September 2010, at which point, I
18 obtained an in-house landman position with Chief Oil &
19 Gas, where I worked from September of 2010 until August
20 2012. From August 2012 to present, I've been employed
21 as a landman for COG Operating, LLC.

22 Q. And since 2012, have your responsibilities
23 included the Permian Basin?

24 A. Yes, sir, they have.

25 Q. Are you a member of any professional

1 associations?

2 A. I'm a member of the Northern Appalachian
3 Landman's Association, the Permian Basin Landman's
4 Association and the American Association of Professional
5 Landmen.

6 Q. And how long have you been a member of the
7 AAPL?

8 A. Four years.

9 Q. And what about the Permian Basin?

10 A. Since employed with COG Operating, so about two
11 years.

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

14 A. Yes, I am.

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

17 A. Yes, I am.

18 MR. FELDEWERT: I would tender Mr. Lierly
19 as an expert witness in petroleum land matters.

20 EXAMINER GOETZE: He is so qualified.

21 Q. (BY MR. FELDEWERT) Would you please turn to
22 what's been marked as COG Exhibit 1? Identify the
23 exhibit and explain what the company seeks under this
24 application?

25 A. What's identified in yellow is COG Operating's

1 acreage position in Section 17, Township 19 South, Range
2 35 East. We're seeking a 160-acre nonstandard spacing
3 unit in the west half-west half of the section. We're
4 seeking to pool all mineral interests in the Bone Spring
5 Formation in that acreage.

6 Q. Will this be the first horizontal well in
7 Section 17?

8 A. Yes, it will.

9 Q. If I turn to what's been marked as COG Exhibit
10 Number 2, is this the application for permit to drill,
11 which has been filed and approved by the Oil
12 Conservation Division for your proposed well?

13 A. Yes, it is.

14 Q. And does it then provide the Examiner with the
15 API number?

16 A. Yes, it does.

17 Q. As well as the pool and the pool code?

18 A. Yes, it does.

19 Q. Now, this particular pool is subject to some
20 special pool rules, correct?

21 A. Yes.

22 Q. And will the completed interval for this well
23 comply with the Division setback requirements for this
24 pool?

25 A. Yes, they will.

1 Q. Is Section 17 comprised of fee lands?

2 A. Yes.

3 Q. If I turn to what's been marked as COG Exhibit
4 Number 3, is that a lease tract map that identifies the
5 interests in this area first by tract and then by
6 spacing unit on the bottom?

7 A. That's correct.

8 Q. And how have you identified the uncommitted
9 interest owners on this exhibit?

10 A. They're highlighted in yellow in Tract 4, being
11 the First National Bank of Lubbock, the trust and then
12 Velta Jean Daigneault.

13 Q. Have you been able to locate both the trustee
14 for the trust reflected on here, as well as
15 Ms. Daigneault?

16 A. Yes, we have.

17 Q. What is the status with reference to reach
18 agreement with the trustee of the trust reflected on
19 Exhibit Number 3?

20 A. That bank is actually now Western Bank. And
21 they have notified us that they don't have a trust
22 department, so they don't have the capacity to enter
23 into an agreement with us.

24 Q. But they received your proposal as the trustee
25 of the Trust?

1 A. Yes, they did.

2 Q. And what about Ms. Daigneault?

3 A. We have sent her several proposal letters and
4 offers to lease and followed up with numerous phone
5 calls, but she has been unresponsive.

6 Q. And the address that you used, is it a good
7 address? I mean, are you getting a return card?

8 A. Yes, we are.

9 Q. If I turn to what's been marked as COG Exhibit
10 Number 4, is that a copy of a well-proposal letter that
11 was sent out to all of the interest owners in your
12 proposed spacing unit?

13 A. Yes, it is.

14 Q. And does it contain an AFE?

15 A. Yes, it does.

16 Q. And are the costs reflected on this AFE
17 consistent with what the company has incurred in
18 drilling similar horizontal wells in the area?

19 A. Yes, that is correct.

20 Q. And does this letter, on the first page about
21 halfway down, identify for the Examiner the overhead
22 rates that you seek to be incorporated into this order?

23 A. Yes, they do.

24 Q. And what are those rates?

25 A. 6,500 a month while drilling and 650 a month

1 while producing.

2 Q. And have these rates been, likewise,
3 incorporated -- is there a JOA for this property?

4 A. Yes, there is.

5 Q. And have these rates been incorporated into
6 that JOA?

7 A. Yes, they were.

8 Q. Did the company identify the leased mineral
9 interest owners in the 40-acre tracts surrounding your
10 proposed nonstandard spacing unit?

11 A. Yes, we did.

12 Q. And did the company include those known leased
13 mineral interest owners in the notice of this hearing?

14 A. Yes, we did.

15 Q. If I turn to what's been marked as COG Exhibit
16 Number 5, is that an affidavit prepared by my office
17 with an attached letter providing notice of this hearing
18 to the affected parties?

19 A. Yes, it is.

20 Q. Mr. Lierly, were Exhibits 1 through 4 prepared
21 by you or compiled under your direction and supervision?

22 A. Yes, they were.

23 MR. FELDEWERT: Mr. Examiner, I would move
24 into evidence COG Exhibits 1 through 5, which includes
25 my notice of affidavit.

1 EXAMINER GOETZE: Exhibits 1 through 5 are
2 so admitted.

3 (COG Operating, L.L.C. Exhibit Numbers 1
4 through 5 were offered and admitted into
5 evidence.)

6 MR. FELDEWERT: And that concludes my
7 examination of this witness.

8 CROSS-EXAMINATION

9 BY EXAMINER GOETZE:

10 Q. So regarding contacting this individual, your
11 staff did it, or did you do it?

12 A. I did directly.

13 Q. Did you actually get someone, or was it just an
14 answering machine, or --

15 A. We tried three different phone numbers. Two of
16 them had voice mails that were full. One of them hadn't
17 been set up. So we tried calling on four or five
18 different occasions.

19 Q. Very good.

20 EXAMINER GOETZE: No other questions for
21 you.

22 MR. FELDEWERT: Call our next witness.

23 DAVID DaGIAN,

24 after having been previously sworn under oath, was
25 questioned and testified as follows:

1 DIRECT EXAMINATION

2 BY MR. FELDEWERT:

3 Q. Would you please state your name, identify by
4 whom you are employed and in what capacity?

5 A. Dave DaGian. I work for COG Operating, L.L.C.
6 I'm a geologist on the New Mexico Delaware Basin team.

7 Q. And how long have you been a geologist with
8 COG?

9 A. I guess almost two years now.

10 Q. And, Mr. DaGian, you have previously testified
11 before this Division as an expert witness in petroleum
12 geology, correct?

13 A. Yes.

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

16 A. Yes.

17 Q. Have you conducted a study of the lands that
18 are the subject of this hearing?

19 A. Yes.

20 MR. FELDEWERT: I would retender Mr. DaGian
21 as an expert witness in petroleum geology.

22 EXAMINER GOETZE: He's so qualified.

23 Q. (BY MR. FELDEWERT) Mr. DaGian, if I turn to
24 what's been marked as COG Exhibit Number 6, would you
25 please identify this exhibit for us and explain what it

1 shows?

2 A. Sure. This is a 3rd Bone Spring Sand structure
3 map on the top of the 3rd Bone Spring Sand in the Scharb
4 Bone Spring area, Section 17, in yellow, 19 South, 35
5 East. The contour interval on the top of the 3rd Bone
6 Spring is 100 feet, with our location shown in red. The
7 surface-hole location in the south of the west half-west
8 half of the section and the bottom-hole location in the
9 north.

10 Q. And have you utilized the data that is shown on
11 here in red for these wells?

12 A. Yes, I have. Those are -- the subsea points
13 used to make this map are in red.

14 Q. And what do observe with respect to the
15 structure in this area?

16 A. That the structure is dipping to the southwest.
17 We see no geological impediment from preventing us from
18 drilling a horizontal well and no faulting or
19 pinch-outs.

20 Q. Did you create a cross section for this area?

21 A. I did.

22 Q. If I turn to what's been marked as COG Exhibit
23 Number 7, does this identify the wells that you utilized
24 for your cross section?

25 A. Yes, it does.

1 Q. And this runs what, north to south?

2 A. A to A prime, north to south.

3 Q. And the wells that you have chosen, they're
4 within the section, correct?

5 A. Yes.

6 Q. And in your opinion, are they representative of
7 the area that you seek to develop?

8 A. Yes.

9 Q. If I then turn to what's been marked as COG
10 Exhibit Number 8, is this the corresponding cross
11 section, A to A prime?

12 A. Yes, it is.

13 Q. Why don't you walk us through this exhibit,
14 please?

15 A. This is a three-well cross section, structural
16 cross section, A to A prime, north being A, and A prime
17 being south, over the 3rd Bone Spring Sand that shows
18 that this is -- the sand is contiguous across our
19 acreage. The cross section shows the top of the 3rd
20 Bone Spring Sand in purple -- it's TBSG -- and the
21 bottom of the 3rd Bone Spring in red as the Wolfcamp.
22 And the well in the middle of the cross section displays
23 our proposed lateral interval.

24 Q. What conclusions have you drawn from your
25 study?

1 A. That there is no geological impediment that
2 would prevent us from drilling a horizontal well and
3 that we can efficiently and economically develop the
4 acreage in this area using horizontal wells and that the
5 proposed nonstandard unit will more or less on average
6 contribute equally to the production of the well.

7 Q. Now, there was testimony that the completed
8 interval for this well will comply with the setback
9 requirements under the special pool rules, correct?

10 A. Yes, that's correct.

11 Q. And you're familiar with those special pool
12 rules?

13 A. Yes.

14 Q. If I turn to what's been marked as COG Exhibit
15 Number 9, is this a diagram showing compliance with the
16 setback requirements --

17 A. Yes.

18 Q. -- under these special pool rules?

19 A. Yes, it is.

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

24 A. Yes.

25 Q. Were COG Exhibits 6 through 9 prepared by you

1 or compiled under your direction and supervision?

2 A. Yes, they were.

3 MR. FELDEWERT: Mr. Examiner, I would move
4 the admission of Exhibits COG Exhibits 6 through 9.

5 EXAMINER GOETZE: Exhibits 6 through 9 are
6 so admitted.

7 (COG Operating, L.L.C. Exhibit Numbers 6
8 through 9 were offered and admitted into
9 evidence.)

10 MR. FELDEWERT: And that concludes my
11 examination of this witness.

12 EXAMINER GOETZE: Very good.

13 CROSS-EXAMINATION

14 BY EXAMINER GOETZE:

15 Q. The orientation of your well, north-south,
16 represents what you felt is the best utilization of the
17 acreage there?

18 A. Yes. We believe that to be true.

19 Q. And east-west would not provide any more
20 advantageous completion?

21 A. We believe, through our study of this area,
22 that north-south is the preferred orientation for our
23 well.

24 Q. And we have no other portion of the Bone Spring
25 being productive in this, to your knowledge?

1 A. Our primary target here is the 3rd Bone Spring.
2 And that's not to say that the other Bone Spring Sands
3 aren't perspective, but our primary target will be the
4 3rd to start with.

5 Q. So you are going to obtain information
6 regarding the entire Bone Spring as far as when you're
7 drilling?

8 A. We'll drill through the upper zones as well.

9 Q. The only reason why I'm asking that is that
10 we've had several applications for saltwater disposal
11 wells in this area in the Bone Spring. So your position
12 there makes a decision regarding that much different
13 now. So that's why I have those questions.

14 EXAMINER GOETZE: No further questions for
15 this witness.

16 MR. FELDEWERT: Thank you, Mr. Examiner.

17 THE WITNESS: Thank you.

18 MR. FELDEWERT: That concludes our
19 presentation.

20 EXAMINER GOETZE: Case 15114 will be taken
21 under advisement.

22 And let's take a ten-minute break.

23 (Case Number 15114 concludes, 9:28 a.m.)

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, New Mexico Certified
Court Reporter No. 20, and Registered Professional
Reporter, do hereby certify that I reported the
foregoing proceedings in stenographic shorthand and that
the foregoing pages are a true and correct transcript of
those proceedings that were reduced to printed form by
me to the best of my ability.

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

I FURTHER CERTIFY that I am neither
employed by nor related to any of the parties or
attorneys in this case and that I have no interest in
the final disposition of this case.

MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014

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, CASE NO. 15115
7 L.L.C. FOR A NONSTANDARD SPACING
8 AND PRORATION UNIT AND COMPULSORY
9 POOLING, EDDY COUNTY, NEW MEXICO.

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS
11 EXAMINER HEARING

12 May 1, 2014

13 Santa Fe, New Mexico

14 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
15
16
17

18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Phillip Goetze,
20 Chief Examiner, on Thursday, May 1, 2014, at the New
21 Mexico Energy, Minerals and Natural Resources
22 Department, 1220 South St. Francis Drive, Porter Hall,
23 Room 102, Santa Fe, New Mexico.

24 REPORTED BY: Mary C. Hankins, CCR, RPR
25 New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT COG OPERATING, L.L.C.:

3 MICHAEL H. FELDEWERT, ESQ.
 4 HOLLAND & HART
 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501
 5 (505) 988-4421
 mfeldewert@hollandhart.com

6

7

8 INDEX

PAGE

9 Case Number 15115 Called

3

10 COG Operating, L.L.C.'s Case-in-Chief:

11 Witnesses:

12 Stuart Dirks:

13 Direct Examination by Mr. Feldewert

3

14 Greg Clark:

15 Direct Examination by Mr. Feldewert

11

Cross-Examination by Examiner Goetze

16

16

17 Proceedings Conclude

17

17

18 Certificate of Court Reporter

18

18

19

20 EXHIBITS OFFERED AND ADMITTED

21 COG Operating, L.L.C. Exhibit Numbers 1 through 5

10

22 COG Operating, L.L.C. Exhibit Numbers 6 through 9

16

23

24

25

1 (9:40 a.m.)

2 EXAMINER GOETZE: So we are back on the
3 record again, and we will continue with the next case,
4 Case 15115, application of COG Operating, L.L.C. for a
5 nonstandard spacing and proration unit and compulsory
6 pooling, Eddy County, New Mexico.

7 Call for appearances.

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

12 EXAMINER GOETZE: Will the witnesses please
13 stand and identify yourselves for the court reporter,
14 and she will swear you in?

15 MR. CLARK: Greg Clark.

16 MR. DIRKS: Stuart Dirks.

17 (Mr. Dirks and Mr. Clark sworn.)

18 MR. FELDEWERT: Call our first witness.

19 STUART DIRKS,
20 after having been first duly sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. FELDEWERT:

24 Q. Would you please state for the record your
25 name, identify by whom you're employed and in what

1 capacity?

2 A. My name is Stuart Dirks. I work for Concho
3 Resources as a petroleum landman.

4 Q. And, Mr. Dirks, you have previously testified
5 before this Division on a number of occasions as an
6 expert in petroleum land matters, correct?

7 A. Yes, I have.

8 Q. Are you familiar with the application filed in
9 this case?

10 A. Yes, I am.

11 Q. And are you familiar with the status of the
12 lands of the subject area?

13 A. Yes, I am.

14 MR. FELDEWERT: I would re-tender Mr. Dirks
15 as an expert witness in petroleum land matters.

16 EXAMINER GOETZE: So qualified.

17 Q. (BY MR. FELDEWERT) Would you turn to what's
18 been marked as COG Exhibit Number 1? First identify
19 what this exhibit shows and then explain to the Examiner
20 what the company seeks under this application.

21 A. This is a plat centered on Section 9, Township
22 19 South, Range 26 East in Eddy County. COG's acreage
23 position in Section 9 is highlighted in yellow.
24 Vertical wells are represented with the dots. The
25 horizontal wells are represented with the black lines.

1 The red line shows the location of our proposed
2 Stonewall 9 Fee #2H well, the box showing the surface
3 location and the circle showing the proposed bottom-hole
4 location.

5 We seek the creation of a 160-acre
6 nonstandard spacing and proration unit composing the
7 east half of the west half of Section 9, 19 South, 26
8 East. We'll be drilling from the Stonewall 9 Fee #2H
9 well. We seek the pooling of certain mineral interests
10 within the Yeso Formation within our proposed
11 nonstandard unit, and we ask that COG Operating, L.L.C.
12 be named operator.

13 Q. Mr. Dirks, has the Division recently approved
14 similar -- or issued similar pooling orders for Section
15 9?

16 A. Yes, they have.

17 Q. If I look to the well to the west on this
18 particular exhibit, in the west half of the west half,
19 which well is that?

20 A. That is the Stonewall 9 Fee #1H.

21 Q. And that has been approved by the Division?

22 A. Yes, it has.

23 Q. It's actually been drilled?

24 A. Yes, it has.

25 Q. Same with respect to the well to the east?

1 A. Correct.

2 Q. And that has actually been drilled, correct?

3 A. Yes, it has. That is the Stonewall 9 Fee #3H.

4 Q. If I then turn to what's been marked as COG

5 Exhibit Number 2, is this the application for permit to

6 drill that has been filed AND approved by the Division

7 for your Stonewall 2H well?

8 A. Yes, it is.

9 Q. And provides the API number for this well?

10 A. Yes, it does.

11 Q. It identifies the pool and the pool code; does
12 it not?

13 A. Yes, it does.

14 Q. And as with your other wells in this area, will
15 the completed interval comply with the Division setback
16 requirements?

17 A. Yes, it will.

18 Q. Is Section 9 all fee lands?

19 A. Yes, it is.

20 Q. If I turn to what's been marked as COG Exhibit
21 Number 3, is that a lease tract map that identifies the
22 owners in your proposed spacing unit, first by tract,
23 and then on the second page, towards the bottom, their
24 consolidated interest in the spacing unit?

25 A. Yes, it is.

1 Q. How have you identified on this exhibit the
2 parties that you seek to pool?

3 A. By bold lettering and by the italicized
4 lettering.

5 Q. On the second page?

6 A. Yes.

7 Q. Now, it looks like you have bolded a number of
8 heirs and devisees, five different groups?

9 A. Yes, that's correct.

10 Q. What efforts did the company undertake to
11 locate and lease the potential heirs of these mineral
12 estates?

13 A. I did an extensive search of the records
14 looking for any clues of anybody with the same name that
15 we could contact that might be related or any addresses
16 out of state where we could look at that county to find
17 if any probate had been filed in that county.

18 Q. And have you located and found some of the
19 heirs?

20 A. We have located everybody whom we believe to be
21 an heir, yes.

22 Q. And have you been able to lease those
23 individuals?

24 A. They are all leased, yes.

25 Q. Are there title notices associated with these

1 five estates?

2 A. Yes, there are.

3 Q. Is that why the company seeks to pool them at
4 this point?

5 A. That's correct.

6 Q. Now, was notice of this hearing provided in a
7 local newspaper directed at these estates?

8 A. Yes.

9 Q. Was it published in time for this particular
10 hearing?

11 A. No, it was not.

12 Q. So is there a need to, in this case, continue
13 the matter for two weeks to allow that Notice of
14 Publication to meet the timelines that apply under the
15 Division's rules?

16 A. Yes, there is.

17 Q. Now, the remaining party on here is OXY Y-1,
18 correct?

19 A. Correct.

20 Q. What is the status with respect to that?

21 A. They have elected to participate in the well
22 and have signed and returned our AFE, but they will not
23 sign our operating agreement.

24 Q. So you have no governing agreement?

25 A. That's correct.

1 Q. If I turn to what's been marked as COG Exhibit
2 Number 4, is that the well-proposal letter that was sent
3 to OXY Y-1, as well as all of the other interest owners
4 in the spacing unit?

5 A. Yes.

6 Q. And does it contain an AFE?

7 A. Yes.

8 Q. And are the costs reflected on this AFE
9 consistent with what the company has incurred for
10 drilling similar horizontal wells in this section?

11 A. Yes.

12 Q. If I look about halfway down on the first page
13 of Exhibit Number 4, does it identify the overhead rates
14 that the company seeks under this application?

15 A. Halfway down? It should.

16 Q. First page of Exhibit 4, the well-proposal
17 letter.

18 A. Oh, the first page. I'm sorry. Yes. Yes, it
19 does. I'm sorry.

20 Q. Which of the rates on there does the company
21 seek to incorporate into this order?

22 A. The second one listed for horizontal wells,
23 \$5,450 per month drilling, \$545 per month producing.

24 Q. And are these overhead rates consistent with
25 the JOA for this area?

1 A. Yes, it is.

2 Q. Did the company indicate the effort to locate
3 the leased mineral interest owners in the 40-acre tract
4 surrounding the proposed nonstandard spacing unit?

5 A. Yes.

6 Q. And did the company include these known leased
7 mineral interest owners in the notice of this hearing?

8 A. Yes.

9 Q. If I turn to what's been marked as COG Exhibit
10 Number 5, is that an affidavit prepared by my office
11 with the attached letters providing notice of the
12 hearing of those affected parties?

13 A. Yes, it is.

14 Q. Mr. Dirks, were Exhibits 1 through 4 prepared
15 by you or compiled under your direction and supervision?

16 A. Yes, they were.

17 MR. FELDEWERT: At this point,
18 Mr. Examiner, I'd move admission into evidence of COG
19 Exhibits 1 through 5, which includes my affidavit.

20 EXAMINER GOETZE: Exhibits 1 through 5 are
21 admitted.

22 (COG Operating, L.L.C. Exhibit Numbers 1
23 through 5 were offered and admitted into
24 evidence.)

25 MR. FELDEWERT: That concludes my

1 examination of this witness.

2 BY EXAMINER GOETZE: So the only
3 outstanding issue we have is Affidavit of Publication?

4 THE WITNESS: Yes, sir.

5 EXAMINER GOETZE: So we will look for that.

6 Otherwise, I have no questions for you,
7 sir. Thank you.

8 THE WITNESS: Thank you.

9 MR. FELDEWERT: Mr. Examiner, with your
10 permission, I'd call the next witness.

11 EXAMINER GOETZE: Very good.

12 GREG CLARK,

13 after having been previously sworn under oath, was
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. FELDEWERT:

17 Q. Would you please state your name, identify by
18 whom you're employed and in what capacity?

19 A. Greg Clark, Concho, as a petroleum geologist.

20 Q. Mr. Clark, you have likewise previously
21 testified before this Division on numerous occasions,
22 correct?

23 A. Yes, I have.

24 Q. And have your credentials as an expert in
25 petroleum geology been accepted and made a matter of

1 public record?

2 A. Yes.

3 Q. Are you familiar with this application?

4 A. Yes, I am.

5 Q. And have you conducted a geologic study of the

6 areas -- the lands that are the subject of this

7 application?

8 A. Yes, I have.

9 MR. FELDEWERT: Mr. Examiner, I would
10 re-tender Mr. Clark as an expert witness in petroleum
11 geology.

12 EXAMINER GOETZE: He is so qualified, and
13 also as a very good Paddock producer expert.

14 MR. FELDEWERT: I'm going to add that to my
15 questioning.

16 EXAMINER GOETZE: (Laughter.)

17 Q. (BY MR. FELDEWERT) Mr. Clark, would you turn to
18 what's marked been as COG Exhibit Number 6? First
19 identify it and then explain what it shows.

20 A. Yes. This is a regional structure map on top
21 of the Paddock showing the various offset fields in
22 blue. It also represents our -- our acreage is
23 represented in yellow in Section 9, and it also shows
24 the well and orientation in which we propose to drill
25 the Stonewall 9 Fee #3H.

1 You'll see that we have a regional drip
2 that goes from the northwest to the southeast basinward,
3 and the contour interval is 25 feet, with every 250 feet
4 bolded. You can also see that there are identified
5 producers in the Paddock and Blinebry, with the Paddock
6 wells represented in red and the Blinebry wells
7 represented in blue.

8 The purpose of this map is to show that
9 there are no regional or local geologic impediments that
10 would keep us from drilling and developing the Stonewall
11 9 Fee #3H as a full-section horizontal well.

12 Q. Did you create a cross section for this
13 section?

14 A. Yes, I did.

15 Q. Turn to what's been marked as COG Exhibit
16 Number 7. Does that identify the wells that you have
17 utilized for your cross section?

18 A. Yes, it does.

19 Q. And have you refined your cross-section
20 analysis, Mr. Clark?

21 A. Yes, I have. Previously -- at previous
22 hearings, we would show a cross section that showed a
23 more regional relationship in terms of the stratigraphy
24 and the rock characteristics that extend from Cemetery
25 and zigzag to Dayton like a lightning rod, and we have

1 since decided to shorten that cross-section interval to
2 focus more locally, since we have proven up the area to
3 be productive.

4 Q. With respect to this particular cross section,
5 you have actually been able to utilize a pilot hole in
6 Section 9, correct?

7 A. That is correct.

8 Q. And in your opinion, are the wells that you
9 have refined here representative of the area of
10 interest?

11 A. Yes, they are.

12 Q. If I then turn to what's been marked as COG
13 Exhibit Number 8, is this the corresponding
14 stratigraphic cross section A to A prime?

15 A. Yes, it is.

16 Q. Would you please walk us through this exhibit?

17 A. I sure will. Again, this is a stratigraphic
18 cross section. The structural component has been taken
19 out in order to focus on the similarities and the
20 stratigraphy and the lot characteristics. So you'll see
21 the well to the left, which is the pilot hole for the
22 Stonewall 9 Fee #1H, that we drilled, and then also the
23 pilot hole for the Lee 3 Fee #6H in which we drilled the
24 horizontal well, and then a well to the south part of
25 the Dayton field that shows the produced interval in the

1 Paddock that is represented by the red polygon in the
2 middle of the depth track.

3 So if you look at this, you'll see the
4 Glorieta. The top of the Glorieta is in yellow. The
5 top of the Paddock is in red, and then the Blinebry,
6 which is the base of the Paddock interval, is in blue.
7 You'll see no major thickening or thinning throughout
8 the stratigraphic interval in this localized area. And
9 if you look at the porosity curves, which are on the
10 right of the depth track and the gamma rays, you'll see
11 that the rock characteristics are very similar.

12 Q. What conclusions have you drawn, Mr. Clark?

13 A. I've concluded that this area can be
14 efficiently and economically developed using
15 full-section horizontals, that there are no geologic
16 impediments structurally or stratigraphically that would
17 keep us from developing these wells using full-section
18 horizontals and that the entire producing interval will
19 contribute more or less on average to the total
20 production of the well.

21 Q. And will this particular well comply with the
22 Division's setback requirements?

23 A. Yes, it will.

24 Q. And if I turn to what's been marked as COG
25 Exhibit Number 9, is this a diagram showing compliance

1 with the Division's setback requirements?

2 A. Yes, it is.

3 Q. In your opinion, will the granting of this
4 application be in the best interest of conservation, the
5 prevention of waste and the protection of correlative
6 rights?

7 A. Yes, it will.

8 Q. Mr. Clark, were COG Exhibits 6 through 9
9 prepared by you or compiled under your direction and
10 supervision?

11 A. Yes, they were.

12 MR. FELDEWERT: Mr. Examiner, I'd move the
13 admission into evidence of COG Exhibits 6 through 9.

14 EXAMINER GOETZE: Exhibits 6 through 9 are
15 so added.

16 (Alamo Permian Resources, LLC Exhibit
17 Numbers 6 through 9 were offered and
18 admitted into evidence.)

19 MR. FELDEWERT: And that concludes my
20 examination of this witness.

21 CROSS-EXAMINATION

22 BY EXAMINER GOETZE:

23 Q. One question for you, Mr. Clark.

24 A. Sure.

25 Q. With regard to your two other Stonewalls, how

1 has the production been on those?

2 A. The production is still very -- you know, very
3 soon. We don't have a lot of production on it, but it's
4 meeting -- it's meeting our economic and production
5 models at the time, both of them.

6 Q. So no surprises?

7 A. No surprises, no, sir.

8 Q. Very good.

9 EXAMINER GOETZE: I have no further
10 questions for this witness.

11 MR. FELDEWERT: Mr. Examiner, that
12 concludes our presentation, and I'd ask that the matter
13 now be continued for two weeks to allow the submission
14 at that time of the Notice of Affidavit for the local
15 newspaper directed at the five estates.

16 EXAMINER GOETZE: At your request, we will
17 this to the May 15th hearing, and we'll wait for
18 affidavit at that time. Thank you.

19 (Case Number 15115 concludes, 9:55 a.m.)

20

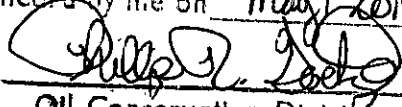
21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15114
heard by me on May 1, 2014
, 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.

19

20

21 MARY C. HANKINS, CCR, RPR
22 Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014

23

24

25