

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

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

ORIGINAL

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

CASE NO. 15249

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 18, 2014

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

RECEIVED OOD
2015 JAN -8 A 8:15

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, December 18, 2014, at the New Mexico Energy,
Minerals and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
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, LLC:

3 MICHAEL H. FELDEWERT, ESQ.
 4 HOLLAND & HART
 5 110 North Guadalupe, Suite 1
 6 Santa Fe, New Mexico 87501
 7 (505) 988-4421
 8 mfeldewert@hollandhart.com

8 INDEX

	PAGE
9 Case Number 15249 Called	3
10 COG Operating, LLC's Case-in-Chief:	
11 Witnesses:	
12 Aaron L. Myers:	
13 Direct Examination by Mr. Feldewert	4
14 Cross-Examination by Examiner Goetze	9
15 Drew Bergman:	
16 Direct Examination by. Mr. Feldewert	10
17 Cross-Examination by Examiner Goetze	16
18 Proceedings Conclude	17
19 Certificate of Court Reporter	18

21 EXHIBITS OFFERED AND ADMITTED

22 COG Operating, LLC's Exhibit Numbers 1 through 4	9
23 COG Operating, LLC's Exhibit Numbers 5 through 7	15

24

25

1 (9:41 a.m.)

2 EXAMINER GOETZE: Finally, Case 15249,
3 application of COG Operating, LLC for creation of a
4 nonstandard spacing and proration unit compulsory
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

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

11 EXAMINER GOETZE: Will the witnesses stand,
12 identify yourself for the court reporter and be sworn?

13 MR. BERGMAN: Drew Bergman. I'm a
14 geologist with Concho Resources.

15 MR. MYERS: Aaron Myers, senior landman for
16 Concho Resources.

17 (Mr. Myers and Mr. Bergman sworn.)

18 EXAMINER GOETZE: No other appearances in
19 this case?

20 Very well. Mr. Feldewert.

21 MR. FELDEWERT: We'll call our first
22 witness.

23 AARON L. MYERS,

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. My name is Aaron Myers. I'm a senior landman
6 with Concho Resources in Midland, Texas.

7 Q. And, Mr. Myers, have you previously testified
8 before this Division and had your credentials accepted
9 and made a matter of public record?

10 A. Yes, I have.

11 Q. And are you familiar with the application in
12 this case?

13 A. Yes, I am.

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

16 A. Yes, I am.

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

19 EXAMINER GOETZE: So qualified.

20 Q. (BY MR. FELDEWERT) Would you please turn to
21 what's been marked as COG Exhibit Number 1? First
22 identify it and then explain to the Examiners what the
23 company seeks under this particular application?

24 A. Exhibit 1 is an NMOCD Form C-102 well location
25 and dedication plat setting forth the spacing unit

1 covering the north half-south half of Section 22,
2 Township 25 South, Range 29 East. The spacing unit is
3 to be comprised of 160 acres.

4 Q. And do you seek the creation, then, of this
5 nonstandard spacing unit?

6 A. Yes, we do.

7 Q. And do you seek to pool the interests in this
8 nonstandard spacing unit?

9 A. Yes, we do.

10 Q. In what formation?

11 A. In the Bone Spring Formation.

12 Q. And does Exhibit Number 1 provide the Examiners
13 not only with the pool but also with the pool code?

14 A. Yes, it does.

15 Q. And does it also provide the Examiners, then,
16 with the API number of your initial well?

17 A. Yes, it does.

18 Q. Are you familiar with this particular pool?

19 A. Yes, I am.

20 Q. What are the -- what's the spacing and the
21 setback requirements?

22 A. Setback requirements will be 330 feet from the
23 west line of the section to the bottom-hole location.
24 The surface-hole location will be a 360-foot setback
25 from the east line. The pooling here is 40 acres for

1 oil wells, so we're seeking to get a nonstandard unit
2 spaced at 160 acres.

3 Q. Will the completed interval for this well
4 comply with these setback requirements?

5 A. Yes, it will.

6 Q. And Section 22 involved here, is it all federal
7 land?

8 A. Yes, it is.

9 Q. And how many leases are involved?

10 A. It is one federal lease that actually covers
11 Section 15 to the north in its entirety and all of
12 Section 22.

13 Q. If I then turn to what's been marked as COG
14 Exhibit Number 2, does this first identify for the
15 Examiners all the working interest owners in your
16 proposed spacing unit?

17 A. Yes, it does.

18 Q. And it also provides their percentage of
19 interest in your proposed spacing unit?

20 A. Yes, it does.

21 Q. Was the company able to locate addresses of
22 record for each of these interest owners?

23 A. Yes, we were.

24 Q. And is there -- how many of these interest
25 owners remain to be pooled?

1 A. The only interest remaining to be pooled would
2 be the highlighted Guinn Family Properties, Limited,
3 with a 1 percent working interest.

4 Q. If I turn to what's been marked as COG Exhibit
5 Number 3, is this a copy of the well-proposal letter
6 that was submitted to all of the interest owners
7 reflected on Exhibit Number 2?

8 A. Yes, it is.

9 Q. And did this well-proposal letter contain an
10 AFE?

11 A. Yes, it did. It's the second page of the
12 proposal.

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

16 A. Yes, they are.

17 Q. Getting back to the entity that you seek to
18 pool, the Guinn Family Properties, what efforts did the
19 company undertake to reach an agreement with this
20 particular interest owner in addition to sending your
21 well-proposal letter?

22 A. There were two separate phone conversations
23 with Mr. James Guinn, who is the principal for the Guinn
24 Family Properties, seeking to get him to sign the
25 existing operating agreement which all other parties in

1 this unit are a party to. Neither attempt was
2 successful, so we went ahead and filed an application
3 for pooling and sent him notice of same.

4 Q. Now, the Joint Operating Agreement that you
5 referenced that the other interest owners have signed,
6 does it contain the overhead and administrative costs?

7 A. Yes, it does. Overhead costs would be \$6,000 a
8 month drilling and \$600 a month producing.

9 Q. And are those the overhead rates you seek for
10 this pooling?

11 A. Yes, we would.

12 Q. In preparing for this case, did the company
13 identify the lease mineral interest owners in the
14 40-acre tracts surrounding the proposed nonstandard
15 spacing unit?

16 A. Yes, we did.

17 Q. And does COG Exhibit Number 4 reflect -- does
18 COG Exhibit Number 4, is that an affidavit prepared by
19 my office?

20 A. Yes, it is.

21 Q. And does it reflect that notice of this hearing
22 was provided not only to the party that you seek to pool
23 but also these offsetting mineral lessees?

24 A. Yes, it does.

25 Q. Were Exhibits 1 through 3 prepared by you or

1 compiled under your direction and supervision?

2 A. Yes, they were.

3 MR. FELDEWERT: Mr. Examiner, I would move
4 admission into evidence of COG Exhibits 1 through 4,
5 which includes my notice affidavit.

6 EXAMINER GOETZE: Exhibits 1 through 4 are
7 so entered.

8 (COG Operating, LLC Exhibit Numbers 1
9 through 4 were offered and admitted into
10 evidence.)

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

13 EXAMINER GOETZE: Legal doesn't have any
14 questions?

15 EXAMINER WADE: No questions.

16 CROSS-EXAMINATION

17 BY EXAMINER GOETZE:

18 Q. So we have contacted Mr. Guinn?

19 A. Yes, we have.

20 Q. And he is the authority for this family as far
21 as being able to enter into --

22 A. Yes, he is.

23 Q. -- as far as you know?

24 EXAMINER GOETZE: I have no further
25 questions for this witness.

1 MR. FELDEWERT: We'll call our next
2 witness.

3 EXAMINER GOETZE: Please.

4 Thank you.

5 THE WITNESS: Thank you.

6 DREW BERGMAN,

7 after having been previously sworn under oath, was
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. FELDEWERT:

11 Q. Would you please state your full name, identify
12 by whom you are employed and in what capacity?

13 A. My name is Drew Bergman. I'm employed by COG
14 Operating, LLC as a geologist.

15 Q. And how long have you been a geologist with COG
16 Operating?

17 A. I've been a geologist with COG Operating for a
18 little over a year.

19 Q. And do your responsibilities include the
20 Permian Basin of New Mexico?

21 A. Yes.

22 Q. Have you had the opportunity to previously
23 testify before this Division?

24 A. No.

25 Q. Would you review for the Examiners your

1 educational background?

2 A. I got my bachelor of science in geology from
3 Texas Christian University and my master of science in
4 geology from University of Texas, Permian Basin.

5 Q. And when did you get your bachelor of science
6 in geology from Texas Christian?

7 A. 2011.

8 Q. And how about your master's?

9 A. 2013.

10 Q. What has been your work history since obtaining
11 your bachelor of science in geology?

12 A. I worked for Murchison Oil & Gas for two years
13 while I was getting my masters as a geologist and
14 Concho -- or COG Operating for one year -- a little over
15 a year.

16 Q. During the period of time that you worked for
17 Murchison as a geologist, did your responsibilities
18 include the Permian Basin of New Mexico?

19 A. Yes.

20 Q. Are you a member of any professional
21 affiliations or organizations?

22 A. I'm a member of the American Association of
23 Petroleum Geologists and the West Texas Geological
24 Society.

25 Q. How long have you been a member of the AAPG?

1 A. About three years.

2 Q. And how about the West Texas Geological
3 Society?

4 A. About two years.

5 Q. Mr. Bergman, are you familiar with the
6 application filed in this case?

7 A. Yes.

8 Q. And did you conduct a geologic study of the
9 lands that are the subject of this application?

10 A. Yes.

11 MR. FELDEWERT: Mr. Examiner, I would
12 tender Mr. Bergman as an expert witness in petroleum
13 geology.

14 EXAMINER GOETZE: He is so qualified.

15 Q. (BY MR. FELDEWERT) Mr. Bergman, what is the
16 target interval for the initial well in this nonstandard
17 spacing unit?

18 A. The target interval is the Lower Avalon Shale.

19 Q. Have you prepared a structure map and cross
20 section of this interval for the Examiners?

21 A. Yes, I have.

22 Q. If I turn to what's been marked as COG Exhibit
23 Number 5, is this your regional cross section -- I'm
24 sorry -- the regional structure map?

25 A. Yes. The black contours represent the

1 structure on the top of the Lower Avalon Shale.

2 Q. And have you identified for the Examiners here
3 the well at issue?

4 A. The well at issue is marked by the dashed dark
5 green line and also shown by the callout to the Mescal
6 22 Federal #1H.

7 Q. And what's the significance of the solid green
8 lines on this exhibit?

9 A. The solid green lines represent other wells in
10 the area that are producing from the Lower Avalon Shale.

11 Q. And what have you observed about the structure
12 in this particular area of cross section 22?

13 A. The structure is uniform dip, dipping slightly
14 to the east of the Basin.

15 Q. Have you observed any faults or pinch-outs or
16 any geologic impediments that have developed in the
17 Lower Avalon with horizontal wells?

18 A. No.

19 Q. There are also three wells identified on here
20 starting from A to A prime. Are those the wells that
21 you utilized for your cross section?

22 A. Yes. Those are the wells on my cross section.

23 Q. In your opinion, are the wells that you have
24 chosen representative of the area?

25 A. Yes, they are.

1 Q. If I then turn to what's been marked as COG
2 Exhibit Number 6, is this your structural cross section
3 that corresponds with the wells shown on Exhibit 5 from
4 A to A prime?

5 A. Yes.

6 Q. Would you explain for the Examiners what's
7 depicted on here?

8 A. The dashed green line represents the top of the
9 Lower Avalon Shale, and the solid green line represents
10 the base of the Avalon Shale.

11 Q. Approximately where is the target interval for
12 your proposed well in this particular structural cross
13 section?

14 A. It is at 7,725 feet true vertical depth in the
15 first well, the cross section.

16 Q. First well on the left?

17 A. Yes, first well on the left.

18 Q. And what have you observed with respect to the
19 continuity of this target interval across this area?

20 A. The target area is highly continuous.

21 Q. Have you observed any geologic impediments to
22 developing this area using full-section horizontal
23 wells?

24 A. No.

25 Q. In your opinion, is this an area that can be

1 efficiently and effectively developed by horizontal
2 wells?

3 A. Yes.

4 Q. And in your opinion, will the proposed
5 nonstandard spacing unit contribute, on average, equally
6 to the production from the well?

7 A. Yes.

8 Q. Finally, COG Exhibit Number 7. Is this a
9 wellbore diagram demonstrating that this well will
10 comply with the 330-foot setbacks required by the
11 Division's rules?

12 A. Yes.

13 Q. In your opinion, will the granting of this
14 application be in the best interest of conservation, the
15 prevention of waste and the protection of correlative
16 rights?

17 A. Yes.

18 MR. FELDEWERT: Mr. Examiner, I would move
19 admission into evidence of COG Exhibits 5 through 7.

20 EXAMINER GOETZE: Exhibits 5 through 7 are
21 so accepted.

22 (COG Operating, LLC Exhibit Numbers 5
23 through 7 were offered and admitted into
24 evidence.)

25 MR. FELDEWERT: And that concludes my

1 examination of this witness.

2 EXAMINER GOETZE: Counsel, no questions?

3 EXAMINER WADE: No questions.

4 CROSS-EXAMINATION

5 BY EXAMINER GOETZE:

6 Q. If I may, Exhibit Number 5, my understanding,
7 then, in Section 22 that the two other wells have
8 already been drilled?

9 A. That is correct.

10 Q. So you're pretty obligated to go in the same
11 direction?

12 A. Yes, sir.

13 Q. Other than that, I'll give you a compliment for
14 having an actual cross section as opposed to a fence
15 [sic] diagram.

16 EXAMINER GOETZE: And no more questions for
17 this witness.

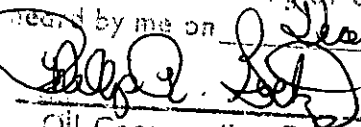
18 MR. FELDEWERT: That concludes our
19 presentation.

20 EXAMINER GOETZE: You're done. Very good.
21 Then we will take Case 15249 under advisement.

22 And we thank you-all for this year's
23 attendance and hope to see you in 2015, and do come back
24 where I can see your faces.

25 That so ends this docket and this year.

(Case Number 15249 concludes, 9:55 a.m.)

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15249
heard by me on December 10, 2014

Philip A. Lech, Examiner
Oil Conservation Division

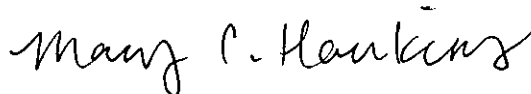
1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

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.
23 New Mexico CCR No. 20
24 Date of CCR Expiration: 12/31/2015
25