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STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 15447

ORIGINAL

BEFORE: MICHAEL McMILLAN, Technical Examiner
DAVID K. BROOKS, Legal Examiner

March 17, 2016
Santa Fe, New Mexico

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This matter came on for hearing before the New
Mexico Oil Conservation Division, MICHAEL McMILLAN,
Technical Examiner, and DAVID K. BROOKS, Legal
Examiner, on Thursday, March 17, 2016, at the
New Mexico Energy, Minerals and Natural Resources
Department, 1220 South St. Francis Drive, Room 102,
Santa Fe, New Mexico.

REPORTED BY: PAUL BACA, CCR #112
PAUL BACA COURT REPORTERS
500 4th Street, NW, Suite 105
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A P P E A R A N C E S

For COG:

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1 EXAMINER McMILLAN: Okay. I would like to
2 call Case Number 15447, application of COG
3 Operating, LLC, for a nonstandard spacing and
4 proration unit and compulsory pooling, Eddy County,
5 New Mexico.

6 Call for appearances.

7 MS. KESSLER: Jordan Kessler from the
8 Santa Fe office of Holland & Hart on behalf of the
9 applicant.

10 EXAMINER McMILLAN: Any other appearances?

11 MS. KESSLER: I have two witnesses today.

12 EXAMINER McMILLAN: Okay. If the
13 witnesses would please stand up and be sworn in.

14 (Witnesses sworn.)

15 EXAMINER McMILLAN: Okay. You may
16 proceed.

17 AARON MYERS,
18 after having been first duly sworn under oath,
19 was questioned and testified as follows:

20 EXAMINATION

21 BY MS. KESSLER:

22 Q. Can you please state your name for the
23 record and tell the examiner by whom you are
24 employed and in what capacity?

25 A. My name is Aaron Myers. I'm the senior

1 landman for COG Operating, LLC.

2 Q. Have you previously testified before the
3 division?

4 A. Yes, I have.

5 Q. And were your credentials as a petroleum
6 landman accepted and made a matter of record?

7 A. Yes, they were.

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

10 A. Yes, I am.

11 Q. Are you familiar with the status of the
12 lands in the subject area?

13 A. Yes, I am.

14 MS. KESSLER: Mr. Examiner, I would tender
15 Mr. Myers as an expert witness in petroleum land
16 matters.

17 EXAMINER McMILLAN: So qualified.

18 Q. (By Ms. Kessler) Mr. Myers, can you
19 please turn to Exhibit 1, and identify this exhibit
20 for the examiners?

21 A. It's a well location and acreage
22 dedication plat for the Admiral Fed Com Number 2H
23 well located in the west half of the east half of
24 Sections 28 and 21, Township 25 South, Range 29
25 East, in Eddy County, New Mexico.

1 Q. What does COG seek in this application?

2 A. Seeking the pool, the uncommitted interest
3 of Devon Energy, in the spacing unit.

4 Q. Has an APD been approved for this well?

5 A. Yes, it has.

6 Q. What is the API number?

7 A. The API Number is 30-015-42820.

8 Q. And has the division designated a pool for
9 this area?

10 A. Yes, it is. It's a Wildcat Wolfcamp pool.

11 Q. And the pool code is 96794.

12 Is that correct?

13 A. Yes, that's correct.

14 Q. What is the character of the lands in this
15 area?

16 A. Character of the lands is all federal.

17 Q. No fee acreage?

18 A. None.

19 Q. Is it governed by division statewide
20 setbacks?

21 A. Yes, it is.

22 Q. So 330-foot setbacks will apply?

23 A. Yes.

24 Q. Are there any depth severance issues in
25 this area?

1 A. There are none.

2 Q. Okay. Could you please turn to what I
3 have marked as COG Exhibit 2 and identify this
4 exhibit for the examiners?

5 A. It is a plat showing the 40-acre tracts
6 that comprise the 320-acre spacing unit in the west
7 half of the east half of Sections 21 and 28.

8 Q. Do the second and third pages identify
9 ownership by percent in each tract?

10 A. Yes, they do.

11 Q. What interests do you seek to pool?

12 A. Seeking to pool the interest of Devon
13 Energy Production Company, L.P.

14 Q. Is that interest highlighted in yellow?

15 A. Yes, it is. It's Tracts 3, 4, 5, and 6.

16 Q. Is Devon a working interest owner?

17 A. Yes, they are.

18 Q. Okay. So all other interest owners are
19 committed to this well.

20 Is that correct?

21 A. Yes, they are.

22 Q. Is Exhibit 3 a copy of the well proposal
23 letter that you sent to Devon?

24 A. Yes, it is.

25 Q. And what date was that letter sent?

1 A. It was sent January 13, 2016.

2 Q. Did the well proposal letter include an
3 AFE?

4 A. Yes, it did.

5 Q. Are the costs reflected on the AFE
6 consistent with what COG has incurred for drilling
7 similar horizontal wells in the area?

8 A. Yes, they are.

9 Q. What additional efforts did you undertake
10 to reach voluntary agreement with Devon?

11 A. We're currently in the process of working
12 a farm-out, which actually just came back yesterday,
13 so we're in the process of finalizing that.

14 Q. Okay. And will you notify the division in
15 the event that you reach an agreement with Devon?

16 A. Yes, we will.

17 Q. And you will withdraw the application?

18 A. Yes, we will.

19 Q. Have you estimated overhead and
20 administrative costs while drilling this well and
21 while producing it if you're successful?

22 A. Yes, we have. There'd be \$7,500 a month
23 drilling and \$750 a month producing.

24 Q. Okay. Are these costs in line with what
25 COG and other operators in the area charge for

1 similar wells?

2 A. Yes, they are.

3 Q. Do you ask that those administrative and
4 overhead costs be incorporated into any hearing
5 results in any order?

6 A. Yes, we would.

7 Q. Okay. And do you ask that it be adjusted
8 in accordance with the accounting procedures?

9 A. Yes, we would.

10 Q. Okay. With respect to the uncommitted
11 interest owner, Devon Energy, do you request a
12 200 percent risk penalty?

13 A. Yes, we would.

14 Q. Please turn to Exhibit 4.

15 A. (Witness complies.)

16 Q. Is this an offset plat identifying the
17 offset operators or lessees of record?

18 A. Yes, it is.

19 Q. And did COG provide notice of this hearing
20 to those offset operators or lessees of record?

21 A. Yes, we have.

22 Q. Is Exhibit 5 an affidavit prepared by my
23 office with attached letters providing notice of
24 this hearing to the party whom you seek to pool and
25 offset operators and lessees of record?

1 A. Yes, it is.

2 Q. Was it -- did you publish notice for this
3 hearing?

4 A. Yes, we did.

5 No, wait. No, we didn't. We had
6 addresses for everybody.

7 I'm sorry about that.

8 Q. And that was because Devon Energy was
9 locatable, correct?

10 A. Yes, that's correct.

11 Q. Were Exhibits 1 through 4 prepared by you
12 or compiled under your direction and to the
13 division?

14 A. Yes, they were.

15 MS. KESSLER: Mr. Examiner, I would move
16 into evidence Exhibits 1 through 5, which includes
17 my affidavit.

18 EXAMINER McMILLAN: Exhibits 1, 2, 3, 4,
19 and 5 may now be accepted as part of the record.

20 MS. KESSLER: That concludes my
21 examination of this witness.

22 EXAMINER McMILLAN: Okay.

23 What's the well status?

24 THE WITNESS: The well status? The well
25 has actually been spud. We were working with Devon.

1 They originally consented to the drilling of the
2 well. We changed the target formation on that, so
3 we had to repropose. That led to us working with
4 farm-out.

5 So we've spud the well, it's not going to
6 be completed until we either have an order or have
7 the farm-out completed, which should happen in the
8 next week.

9 MR. BROOKS: It doesn't look like we have
10 a green card from EOG here.

11 MS. KESSLER: Mr. Examiner, EOG is an
12 offset party. So you can see by the -- as you can
13 see by the delivery confirmation, that letter has
14 been delivered to EOG, was sent according to the
15 regulations, and has been delivered to EOG, but they
16 have not picked it up from their mailbox to sign it
17 yet.

18 MR. BRUCE: Okay. Well, given the fact
19 that we all know EOG exists and that they have
20 offices in different places, I think that -- if it
21 had been to an individual it might be different, but
22 I think that we should accept that as notice.

23 MS. KESSLER: Thank you, Mr. Examiner.

24 MR. BROOKS: It's very difficult to get
25 notice to large corporations -- not difficult to

1 find an address, but very difficult to get them to
2 take a notice.

3 EXAMINER McMILLAN: Okay. I just want to
4 make sure. There's no unlocatable interest,
5 correct?

6 THE WITNESS: No.

7 EXAMINER McMILLAN: Okay. Well, that
8 answers my questions.

9 Thank you very much.

10 MS. KESSLER: May I call my next witness?

11 EXAMINER McMILLAN: Yes, please.

12 DREW BERGMAN,
13 after having been first duly sworn under oath,
14 was questioned and testified as follows:

15 EXAMINATION

16 BY MS. KESSLER:

17 Q. Can you please state your name for the
18 record and tell the examiners by whom you are
19 employed and in what capacity?

20 A. My name is Drew Bergman. I'm a geologist
21 with COG Operating, LLC.

22 Q. Have you previously testified before the
23 division?

24 A. Yes, I have.

25 Q. Were your credentials as a petroleum

1 geologist accepted and made a matter of record?

2 A. Yes, they were.

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

5 A. Yes, I am.

6 Q. And have you conducted a geologic study of
7 the lands that are the subject of this application?

8 A. Yes, I have.

9 MS. KESSLER: Mr. Examiner, I would tender
10 Mr. Bergman as an expert witness in petroleum
11 geology.

12 EXAMINER McMILLAN: So qualified.

13 Q. (By Ms. Kessler) Mr. Bergman, can you
14 please turn to Exhibit 6 and identify this exhibit
15 for the examiners?

16 A. This is a map showing the well in
17 question, which is shown by the dashed red line, and
18 COG's acreage in yellow, and the red dots show
19 offset vertical production.

20 Q. Could you turn to Exhibit 7 and identify
21 this exhibit, please?

22 A. This is a structure map. The contour
23 lines are on the top, the contour of 7050 feet. And
24 again you have the well in question shown by the
25 dashed red line, and the yellow acreage is COG's

1 acreage.

2 Q. What have you identified with respect to
3 the structure of the Wolfcamp?

4 A. That it is uniform and consistent across
5 the area, and that there aren't any pitchouts,
6 faults, or any other geologic impediments.

7 Q. And if you could turn to Exhibit 8 and
8 walk us through it.

9 A. This is a map with -- the blue line shows
10 the line of a cross-section from A to A prime. And
11 again, you have -- the red dashed line shows the
12 well in question and the yellow acreage shows COG's
13 acreage.

14 Q. And the line labeled A to A prime includes
15 wells that will be used on the next exhibit.

16 Is that correct?

17 A. Correct.

18 Q. Do you consider those wells to be
19 representative of wells in this area?

20 A. Yes, I do.

21 Q. If you could turn to Exhibit 9 and walk
22 us through this exhibit, please.

23 A. So these are the wells that were in the
24 cross-section line previously. You have divisional
25 logs, you have gamma ray of resistivity and porosity

1 logs, and then the rest are logs -- you have a
2 porosity log on the left and resistivity on the
3 right.

4 The top of the Wolfcamp is shown by the
5 solid red line, and the dashed red line at the
6 bottom is the intra-Wolfcamp marker that we use.

7 And this cross-section is hung on the top
8 of the Wolfcamp..

9 Q. What is the proposed landing zone for this
10 well?

11 A. It is about 10,250 feet TBD.

12 Q. And what have you identified with respect
13 to continuity across this proposed nonstandard unit?

14 A. That it is consistent and has uniform
15 thickness throughout the area.

16 Q. Based on your geological study of this
17 area, have you identified any impediments to
18 drilling two-mile horizontal wells in this area?

19 A. No, we haven't.

20 Q. In your opinion, can the area be
21 efficiently and economically developed by horizontal
22 wells?

23 A. Yes.

24 Q. Do you believe that each tract in the
25 proposed nonstandard unit will, on average,

1 contribute more or less equally to production from
2 the well?

3 A. Yes.

4 Q. And will the completed interval comply
5 with the 330-foot statewide setbacks for this area?

6 A. Yes, they will.

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

11 A. Yes.

12 Q. Were Exhibits 6 through 9 prepared by you
13 or compiled under your direction and supervision?

14 A. Yes, they were.

15 MS. KESSLER: I move admission of Exhibits
16 6 through 9, Mr. Examiner.

17 EXAMINER McMILLAN: Exhibits 6, 7, 8, and
18 9 may now be accepted as part of the record.

19 MS. KESSLER: That concludes my
20 examination.

21 EXAMINER McMILLAN: Okay. Do you know the
22 oil gravity?

23 THE WITNESS: Not off the top of my head.
24 No, I don't.

25 EXAMINER McMILLAN: Do you know the GOR?

1 THE WITNESS: No.

2 EXAMINER McMILLAN: Do you know the
3 characteristics -- we would like to have that
4 information, because we are compiling a list of all
5 of the oil gravity GORs and oil characteristics for
6 the Wolfcamp.

7 Do you have any questions?

8 MR. BROOKS: No questions.

9 EXAMINER McMILLAN: Okay. Well, Case
10 Number 15447 may now be taken under advisement, with
11 the stipulation that the oil gravity of the GOR and
12 the oil characteristics be supplied to the division.

13 And just -- and also, I expect for you to
14 sign it, sign a statement of that.

15 THE WITNESS: Okay.

16 EXAMINER McMILLAN: Thank you.

17 (Proceedings concluded at 8:43 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. 15447.
heard by me on MARCH 17 2011.
Michael J. [Signature] Examiner
Oil Conservation Division

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, RPR, CCR
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