

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

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

Application EOG Resources	Case Nos. 22127, 22128
for Compulsory Pooling,	22129, 22131
Lea County, New Mexico	22132

REPORTER'S TRANSCRIPT OF PROCEEDINGS

STATUS CONFERENCE

THURSDAY, SEPTEMBER 23, 2021

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiner, Leonard Lowe, Technical Examiner, on August 19, 2021, via Webex Virtual Conferencing Platform hosted by New Mexico Department of Energy, Minerals and Natural Resources

Reported by: Mary Therese Macfarlane.
New Mexico CCR #122
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A P P E A R A N C E S

FOR EOG RESOURCES, INC.:

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1 (Time noted 8:30 a.m.)

2 EXAMINER BRANCARD: With that I'm calling, I
3 believe, five cases here, 22127, 22128, 22129, 22131 and
4 22132, EOG Resources, Inc.

5 Mr. Feldewert?

6 MR. FELDEWERT: Yeah, Mr. Examiner, sorry.
7 Looks like my Internet cut there for a minute.

8 Yes, Michael Feldewert, the Santa Fe office
9 of Holland and Hart appearing on behalf of EOG Resources,
10 Inc. in these five consolidated pooling cases.

11 EXAMINER BRANCARD: Thank you. I don't have any
12 other entries of appearance. Are there any other
13 interested parties in cases 22127, 22128, 22129, 22131,
14 22132. (Note: Pause). Hearing none, you may proceed,
15 Mr. Feldewert.

16 MR. FELDEWERT: Thank you, Mr. Examiner. I'm
17 glad you read all the papers preceding this docket because
18 this is the first time I have done five pooling cases in
19 one consolidated fashion.

20 What you will see here is EOG seeks to pool
21 five horizontal spacing units. Three are in the Bone
22 Spring, two in the Wolfcamp, for what are essentially
23 mile-and-a-half wells known as their Osprey wells.

24 Four of these spacing units are for 240
25 acres, the remaining fifth spacing unit is in the

1 Wolfcamp, a 480-acre spacing unit using a proximity tract
2 well.

3 Exhibit A that we've submitted in our
4 hearing package contains the Compulsory Pooling Checklist,
5 identifying each spacing unit and the dedicated well.

6 Exhibit B then contains the Applications
7 for all five cases.

8 Exhibit C, which begins on page 33 of the
9 .pdf is the affidavit of Laci Stretcher, landman with EOG,
10 and she identifies the spacing units associated with each
11 case and in each application; she provides a general
12 location map; and the C-102s for the five existing wells.

13 Exhibit C-3, which is on page 44 of the
14 .pdf, has a series of slides that depict the Bone Spring
15 and the Wolfcamp spacing unit. What you will see is that
16 each spacing unit involves the same three tracts of land
17 that are common throughout each horizontal spacing unit,
18 and therefore the same bones (phonetic), which is why we
19 went ahead and consolidated these cases.

20 These tracts of land have 20 unleased
21 mineral owners and one working-interest owner, which is
22 Marathon. These parties are listed and highlighted on
23 Exhibit C-4, and you'll see that they involve unleased
24 mineral owners, really a lot of them arising out of
25 estates, which EOG recently discovered were not under a

1 voluntary agreement, and many of these estates have not
2 been properly probated.

3 Exhibit C-4 also identifies, then, in their
4 table the -- not only the owners but their percentage
5 interest in the -- in each proposed spacing unit and tract
6 in which they own their interest. And you will see that
7 there is one table for the east half of the west half of
8 Section 10 and the east half of the southwest quarter of
9 Section 3.

10 Then there is a second table for the other
11 acreage which is involved here, which is the east half of
12 Section 10 and the southeast quarter of Section 3. Again
13 the interests are common throughout these sections so it
14 doesn't matter if you've got a 480-acre spacing unit or a
15 240-acre the interest in the spacing unit itself is the
16 same.

17 C-6 then contains the Well Proposal Letter
18 that went out to these owners for the five horizontal
19 spacing units and dedicated wells, and then we've also
20 included as Exhibit C-7 the template that was used for an
21 August follow-up letter to each of the unleased mineral
22 interest owners, seeking to lease their interest if they
23 did not wish to participate as a working interest owner.

24 C-8 then contains the AFEs that contain
25 actual costs that were incurred by EOG to drill these

1 existing wells.

2 And then you will see, Mr. Examiner, C-9 is
3 the Chronology of Contacts with each of these mineral
4 owners.

5 Exhibit D, as in David, is the affidavit of
6 geologist Terra George, who provides and discusses a
7 Structure Map, one for the Bone Spring and one for the
8 Wolfcamp Interval where the wells are located. He then
9 provides and discusses, as well, cross sections for each
10 formation showing the landing zone for the existing wells.

11 Exhibit E then contains our Notice
12 Affidavit with the attached Letters of Notice for each
13 case, along with the status report of the delivery. And
14 given that estates were involved here, Exhibit F then
15 contains Affidavits of Publication for each case naming
16 the estates involved and the known owners for each pooling
17 case.

18 So with that I move to admit EOG Exhibits A
19 through F and ask that these five pooling cases be taken
20 under advisement.

21 EXAMINER BRANCARD: Thank you.

22 Mr. Lowe, any questions?

23 EXAMINER LOWE: I have a few questions for Mr.
24 Feldewert. Good morning, sir.

25 MR. FELDEWERT: Good morning.

1 EXAMINER LOWE: Just getting into your exhibits
2 here. Just to clarify, these wells are two-mile laterals?

3 MR. FELDEWERT: These wells are
4 essentially mile -- what you see there, mile-and-a-half
5 laterals.

6 EXAMINER LOWE: Okay.

7 MR. FELDEWERT: They essentially involve all of
8 Section 10 and then what would be the equivalent of, you
9 know, kind of the south half of Section 3.

10 EXAMINER LOWE: Okay. And on your exhibit
11 page 51 where you indicate your tables, there's a column
12 here where it's labeled as Tract NRI. What does that NRI
13 mean?

14 MR. FELDEWERT: That would be the Net Revenue
15 Interest, as I understand it.

16 Then you see Unit NRI?

17 EXAMINER LOWE: Yes.

18 MR. FELDEWERT: Okay.

19 EXAMINER LOWE: And of these wells, which one is
20 your defining-interest well?

21 MR. FELDEWERT: There's only one spacing unit
22 that uses a defining well. It's a Wolfcamp spacing unit
23 in what I'll call the east-half acreage. And the
24 Compulsory Pooling Checklist identifies, I believe it's
25 the 706H, the Osprey 706H for that 480-acre spacing unit.

1 Let me check real quick.

2 Yes, the 706H is the defining well for that
3 480-acre Wolfcamp spacing unit. The checklist is on
4 page 12 of the .pdf.

5 EXAMINER LOWE: Okay. Thank you.

6 MR. FELDEWERT: The remaining spacing units did
7 not utilize a proximity well.

8 EXAMINER LOWE: Okay. Thank you. That's all my
9 questions.

10 EXAMINER BRANCARD: Thank you.

11 So, Mr. Feldewert, let me see if I
12 understand the back story here.

13 EOG thought they had everybody signed up in
14 these units and went ahead and drilled the wells, and then
15 figured out there were all these other interests? Is that
16 what happened here?

17 MR. FELDEWERT: Well, I think if you look in Ms.
18 Stretcher's affidavit, she points out that many of these
19 were estates and so the parties were (inaudible) estates.

20 Apparently the company, as she testifies,
21 thought that the unit didn't know that these interest
22 owners existed or thought that they had them under some
23 type of agreement that upon -- when their land department
24 went back, and you know, looked at this, found these
25 additional owners that were now not under voluntary.

1 So that's why they are coming back now to
2 bring these interests into the spacing unit. You'll see
3 they are relatively small, you know, relatively speaking.

4 EXAMINER BRANCARD: Do you have any addresses
5 for these estates?

6 MR. FELDEWERT: Well, not -- well, other than I
7 think you will see Ms. Stretcher did yeoman's work trying
8 to reach out to what we understood may be the heirs of the
9 estate, but generally for an estate, you know, we do not,
10 which is why we published Notice in the newspaper.

11 But she did reach out to try to identify,
12 find addresses for potential heirs, or what may be heirs
13 of the estate.

14 EXAMINER BRANCARD: All right. I'm guessing
15 you're going to end up having to escrow a bunch of money
16 here.

17 MR. FELDEWERT: Well, hopefully not. You'll see
18 the interests are pretty small, so it may not be a lot of
19 money, but yeah.

20 EXAMINER BRANCARD: May not be a lot of money
21 there.

22 MR. FELDEWERT: But, yeah, various buckets of
23 escrowed funds.

24 And, really, that's probably, Mr. Brancard,
25 until they can get the estate -- and when I say "they" I

1 don't mean EOG, but when the parties are able to get the
2 estates properly probated.

3 EXAMINER BRANCARD: Well, maybe this may
4 motivate them.

5 MR. FELDEWERT: Well, I hope so. Yeah.

6 EXAMINER BRANCARD: Okay. So besides EOG
7 needing better landmen, one thing I noticed, you had a
8 strip there, like the west half of the west half of
9 Section 10 that's not part of your -- I don't know if you
10 know why that is.

11 MR. FELDEWERT: Yes, Mr. Examiner, because
12 there's actually a Pooling Order for both the Bone Spring
13 and the Wolfcamp for that acreage.

14 EXAMINER BRANCARD: Thank you.

15 I will call any other comments on Cases
16 22127, 22128, 22129, 22131 and 22132. Any of the estates
17 out there listening? (Note: Pause.)

18 Hearing none, your exhibits are admitted in
19 the record and Cases 22127, 22128, 22129, 22131 and 22132
20 are taken under advisement.

21 Thank you.

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

23 (Time noted 8:41 a.m.)

24

25

1 STATE OF NEW MEXICO)

2 : ss

3 COUNTY OF TAOS)

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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,
8 September 23, 2021, the proceedings in the above-captioned
9 matter were taken before me; that I did report in
10 stenographic shorthand the proceedings set forth herein,
11 and the foregoing pages are a true and correct
12 transcription to the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by the
15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

18

/s/ Mary Macfarlane

19

20

MARY THERESE MACFARLANE, CCR
NM Certified Court Reporter No. 122
License Expires: 12/31/2021

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