

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

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

ORIGINAL

Case 15346
& Case 15347

APPLICATION OF EOG RESOURCES, INC.,
FOR A NON-STANDARD SPACING AND
PRORATION UNIT, COMPULSORY POOLING,
AND APPROVAL OF AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
July 23, 2015
Santa Fe, New Mexico

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

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
July 23, 2015, 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: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
500 Fourth Street, NW
Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR APPLICANT

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I N D E X

CASE NUMBER 15346-47 CALLED

EOG RESOURCES INC.
CASE-IN-CHIEF

WITNESS MATTHEW C. PHILLIPS

By Ms. Kessler DIRECT
5

EXAMINER GOETZE EXAMINATION
11

WITNESS KEITH TRASKO

By Ms. Kessler DIRECT
12

EXAMINER GOETZE EXAMINATION
17

Reporter's Certificate PAGE
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1 (Time noted 8:36 a.m.)

2 EXAMINER GOETZE: Next on docket is case
3 15346, Application of EOG Resources, Inc., for a
4 non-standard spacing and proration unit, compulsory
5 pooling and approval on an unorthodox well location, Lea
6 County, New Mexico.

7 Call for appearances.

8 MS. KESSLER: Mr. Examiner, Jordan Kessler
9 from Holland and Hart in Santa Fe for the applicant.

10 EXAMINER GOETZE: And you had requested
11 combination of this case with case 15347?

12 MS. KESSLER: Mr. Examiner, that's correct.

13 EXAMINER GOETZE: Then we will also combine
14 this testimony with case No. 15347, Application of EOG
15 Resources, Inc., for a non-standard spacing and
16 proration unit and compulsory pooling, Lea County, New
17 Mexico.

18 Do you have witnesses?

19 MS. KESSLER: Mr. Examiner, two witnesses
20 today.

21 EXAMINER GOETZE: Would the witnesses please
22 stand and identify yourself and be sworn in.

23 (WHEREUPON, the presenting witnesses
24 were administered the oath.)

25 EXAMINER GOETZE: Off the record.

1 (Discussion off the record.)

2 EXAMINER GOETZE: Back on the record.

3 Please continue.

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

5 MATTHEW C. PHILLIPS

6 having been first duly sworn, was examined and testified
7 as follows:

8 DIRECT EXAMINATION

9 BY MS. KESSLER:

10 Q. Can you please state your name for the record and
11 tell the Examiners by whom you are employed and in what
12 capacity.

13 A. Matthew Phillips, landman, EOG Resources.

14 Q. Have you previously testified before the
15 Division?

16 A. Yes.

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

19 A. Yes.

20 Q. Are you familiar with the application that's been
21 filed in this consolidated case?

22 A. Yes.

23 Q. And are you familiar with the status of the lands
24 in the subject area?

25 A. Yes.

1 MS. KESSLER: Mr. Examiner, I would tender
2 Mr. Phillips as an expert in Petroleum land matters.

3 EXAMINER GOETZE: So qualified.

4 Q. If you could turn please turn to Exhibit 1 and
5 identify these -- Exhibits 1 and 2, and identify these
6 exhibits for the Examiner.

7 A. Exhibit 1 is the C-102 plat for the Osprey 10 No.
8 701H. Exhibit 2 is the C-102 plat for the Osprey 10 No.
9 702H. Both wells located in the west half of section
10 ten; township 25 south; range, 34 east; Lea County, New
11 Mexico.

12 Q. Do you seek to create two non-standard 160 acre
13 spacing and proration units comprised of the west half,
14 west half and the east half, west half?

15 A. Yes.

16 Q. Do you also seek to pool all uncommitted mineral
17 interest owners in the Wolfcamp Formation underlying
18 these two non-standard spacing units?

19 A. Yes.

20 Q. Do you also seek approval of an NSL order for the
21 701H?

22 A. Yes.

23 Q. Has an ^PABD been approved for each well?

24 A. Yes.

25 Q. And is section 10 all fee lands?

1 A. Yes.

2 Q. Has the Division identified a pool and pool code
3 for these wells?

4 A. Yes.

5 Q. Is that pool code 98116?

6 A. Yes.

7 Q. Is the pool subject to the Division's statewide
8 rules?

9 A. Yes.

10 Q. Does Exhibit 2 also demonstrate that the
11 completed interval will comply with the Division's
12 330-foot statewide setback requirements?

13 A. Yes.

14 Q. If you could turn to Exhibit 3. Is EOG also
15 seeking a non-standard location for the 701-H well?

16 A. Yes.

17 Q. Why?

18 A. The location of the 701-H fits in with EOG's plan
19 of development for section 10. And that spacing
20 required that well bore to be in its current location.

21 Q. Is Exhibit 3 a map showing the spacing units
22 towards which the completed interval for the 701H well
23 encroaches?

24 A. It is.

25 Q. Who are the affected parties for the non-standard

1 location?

2 A. Parties to the northeast, east, and southeast.

3 Q. Did you provide notice of this application to the
4 interest owners of the 40-acre tracts affected by the
5 unorthodox location?

6 A. Yes.

7 Q. And is that notice reflected in a later exhibit?

8 A. It is.

9 Q. If you could turn to Exhibits 4 and 5, and
10 identify these exhibits, please.

11 A. Exhibits 4 and 5 are breakdowns of the working
12 interest owners and uncommitted mineral interest owners
13 in the Osprey 10 701H and 702H respectively.

14 Q. Are the interests the same in the proposed
15 non-standard units?

16 A. Yes, they are.

17 Q. And does EOG seek to pool the uncommitted mineral
18 interest owners who have been highlighted on each page?

19 A. Yes.

20 Q. Are Exhibits 6 and 7 copies of the well proposal
21 letters that you sent to those interest owners whom you
22 seek to pool for both the 701H and the 702H?

23 A. Yes, they are.

24 Q. And on what date were these letters sent?

25 A. May 26th, 2015.

1 Q. Did both well proposal letters include an AFE?

2 A. Yes.

3 Q. And are the costs reflected on each of these AFEs
4 consistent with what EOG has incurred for drilling
5 similar horizontal wells in this area?

6 A. Yes.

7 Q. What additional efforts did EOG undertake to
8 reach voluntary agreement with the parties whom you seek
9 to pool?

10 A. We sent additional letters following the well
11 proposals and tried to reach them by phone.

12 Q. Have you estimated the overhead and
13 administrative costs while drilling these wells and also
14 while producing them should we be successful?

15 A. Yes.

16 Q. What are the costs?

17 A. 7,000 while drilling and 700 while producing.

18 Q. Are these costs in line with what EOG and other
19 operators in this area charge for similar wells?

20 A. Yes.

21 Q. And do you ask that these administrative and
22 overhead costs be incorporated into any order resulting
23 from this hearing?

24 A. Yes.

25 Q. Do you ask as well that it be adjusted in

1 accordance with the appropriate accounting procedures?

2 A. Yes.

3 Q. With respect to the uncommitted interest owners,
4 do you request that the Division impose a 200 percent
5 risk penalty?

6 A. Yes.

7 Q. Did EOG identify the offset operators or lessees
8 in the surrounding 40-acre tracts?

9 A. We did.

10 Q. And did EOG include these offset operators or
11 lessees in notice of this hearing?

12 A. Yes, we did.

13 Q. Is Exhibit 8 an affidavit prepared by my office
14 with attached letters providing notice of this hearing
15 to the affected parties including the parties affected
16 by the unorthodox location for the 701H well?

17 A. Yes.

18 Q. Were all of the parties to be pooled locatable or
19 was it necessary to publish notice of this hearing?

20 A. It was necessary to publish notice.

21 Q. Is Exhibit 9 a copy of two affidavits of
22 publication for the 701H well and the 702H well
23 respectively?

24 A. Yes.

25 Q. And were Exhibits 1 through 7 prepared by you or

1 compiled under your direction and supervision?

2 A. Yes, they were.

3 MR. HERRMANN: Mr. Examiner, I move into
4 evidence EOG Exhibits 1 through 9.

5 EXAMINER GOETZE: Exhibits 1 through 9 are
6 so entered.

7 (EOG Resources, Inc., Exhibits 1 through 9
8 were offered and admitted.)

9 MR. HERRMANN: And that concludes my
10 examination.

11 EXAMINER GOETZE: Mr. Wade, do you have any
12 questions?

13 EXAMINER WADE: I do not.

14 EXAMINER GOETZE: Very good. A couple of
15 questions.

16 EXAMINATION BY EXAMINER GOETZE

17 EXAMINER GOETZE: First of all, we have for
18 the -- let's see. The 701H well was set back 330 from
19 north and south and where encroachment is to the east
20 side?

21 THE WITNESS: Correct.

22 EXAMINER GOETZE: And the curiosity, is this
23 placement based on geology or are you looking at future
24 development within this project area?

25 THE WITNESS: I can't answer that.

1 EXAMINER GOETZE: Very good. Did we have a
2 pool name that went with that?

3 MS. KESSLER: Mr. Examiner, it's a wildcat
4 pool with --

5 EXAMINER GOETZE: With a bunch of numbers.
6 Very good. We will talk with Mr. Kautz about that.

7 And, then, finally, as far as unlocatables,
8 it seems to be that between the two wells, the 701H and
9 the 702H, that they were the same parties that were
10 determined to be unlocateable --

11 THE WITNESS: Correct.

12 EXAMINER GOETZE: -- as well as you did not
13 have any response from the same parties?

14 THE WITNESS: Correct.

15 EXAMINER GOETZE: So we have identical
16 interest to be pooled for both?

17 THE WITNESS: Correct.

18 EXAMINER GOETZE: Very well. We have no
19 more questions. Thank you.

20 MS. KESSLER: Thank you, Mr. Examiner. I
21 would like to call my next witness.

22 KEITH TRASKO
23 having been first duly sworn, was examined and testified
24 as follows:

25 DIRECT EXAMINATION

1 BY MS. KESSLER:

2 Q. Will you please state your name for the record
3 and tell the Examiner by whom you're employed and in
4 what capacity.

5 A. Keith Trasko. I am a petroleum geologist for EOG
6 Resources.

7 Q. Have you previously testified before the
8 Division?

9 A. I have not.

10 Q. Can you please review your educational
11 background.

12 A. I have a bachelor's degree in geological sciences
13 from the Pennsylvania State University, and a master's
14 degree in geological sciences from the University of
15 Texas at Austin.

16 Q. And what years did you receive each of those
17 degrees?

18 A. 2005 and 2007.

19 Q. Can you please outline your work history.

20 A. I have worked for EOG for eight years in the east
21 Texas, North Louisiana Salt Basin. And I've worked in
22 the Permian Basin for three years.

23 Q. Are you a member of any professional
24 associations?

25 A. I am a member of the American Association of

1 Petroleum Geologists and the West Texas Geological
2 Society.

3 Q. Are you familiar with the applications filed in
4 this consolidated case?

5 A. Yes.

6 Q. And did you conduct a geologic study of the lands
7 that are the subject of these applications?

8 A. Yes.

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

11 EXAMINER GOETZE: He is so qualified.

12 Q. Mr. Trasko, what is the target interval for the
13 two proposed wells?

14 A. The Wolfcamp Formation.

15 Q. Is Exhibit 10 a lease map showing EOG's acreage
16 and the two proposed wells?

17 A. Yes, it is.

18 Q. Is EOG's acreage highlighted in yellow?

19 A. Yes, it is.

20 Q. And the two red lines are the proposed well
21 bores, correct?

22 A. They are.

23 Q. Depicting also the surface hole and bottom hole
24 location?

25 A. Yes. The star is the surface hole locations and

1 the octagons are the bottom hole locations of the wells.

2 Q. Have you also prepared a structure map and cross
3 section for the Examiner?

4 A. Yes.

5 Q. Could you please identify Exhibit 11.

6 A. Exhibit 11 is a local structure map on the top of
7 the Wolfcamp Formation. And you see in the center that
8 they proposed two laterals. It's a subC structure map.
9 You can see the dip in the areas to the east, southeast.

10 Q. What have you identified with regard to the
11 structure in this section?

12 A. Identify that it is continuous and unfaulted in
13 the Wolfcamp Formation.

14 Q. Could you please turn to Exhibit 12. Does this
15 map show the wells that will used for the cross section
16 which is the next exhibit?

17 A. Yes, it does. It shows an A to A Prime line,
18 which will be the cross section on the next page.

19 Q. Do you consider these wells to be representative
20 of wells in the area?

21 A. Yes.

22 Q. If you would turn to Exhibit 13 and identify this
23 exhibit.

24 A. This is a three well open-hole wire line cross
25 section from a Third Bone Spring Sand into the upper

1 Wolfcamp Formation.

2 The red outline is the proposed target for the
3 wells. And you could see from the exhibit that the
4 target is of an equal thickness across the area.

5 Q. You identified continuity across the proposed
6 non-standard spacing units?

7 A. Yes.

8 Q. Based on your geologic study of this area, have
9 you identified any geologic impediments to developing
10 the area using full section horizontal wells?

11 A. No.

12 Q. Do you believe that the area can be efficiently
13 and economically developed by horizontal wells?

14 A. Yes.

15 Q. And do you believe that the proposed non-standard
16 units will on average contribute more or less equally to
17 production from each well?

18 A. Yes.

19 Q. And in your opinion, will granting of EOG's
20 consolidated applications be in the best interests of
21 conservation for the prevention of waste and the
22 protection of correlative rights?

23 A. Yes.

24 Q. Were EOG Exhibits 10 through 13 prepared by you
25 or compiled under your direction and supervision?

1 A. They were.

2 MS. KESSLER: I move into evidence Exhibits
3 10 through 13.

4 EXAMINER GOETZE: Exhibit 10 through 13 are
5 so entered.

6 (EOG Resources, Inc., Exhibits 10 through 13
7 were offered and admitted.)

8 EXAMINER GOETZE: Mr. Wade, any questions?

9 EXAMINER WADE: I have no questions.

10 EXAMINER GOETZE: Very good.

11 EXAMINATION BY EXAMINER GOETZE

12 EXAMINER GOETZE: About Wolfcamp development
13 in this area, are there any other wells that are in this
14 horizon in this area that you are aware of?

15 THE WITNESS: None that are shown on the
16 exhibits. There are several just off the exhibit to the
17 south, probably four miles away or so.

18 EXAMINER GOETZE: And their orientation?

19 THE WITNESS: North, south.

20 EXAMINER GOETZE: And has this been
21 considered in the orientation that these other wells had
22 good productions, bad productions --

23 THE WITNESS: Yes. The oil wells in the
24 nearby area they've drilled north, south have had
25 acceptable production.

1 EXAMINER GOETZE: Very good. And then as
2 far as fracking, do we have any concept of how many
3 stages we are going to run?

4 THE WITNESS: I can't answer that.

5 EXAMINER GOETZE: That is okay. And then I
6 have no further questions of this witness.

7 MS. KESSLER: Thank you, Mr. Examiner. I
8 ask that this case be taken under advisement.

9 EXAMINER GOETZE: Very good. With exhibits
10 and evidence entered, case No. 15346 and case No. 15347
11 are taken under advisement.

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(Time noted 8:52 a.m.)

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15346 & 15347
heard by me on July 23, 2015.
Phillip D. Goetz, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
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7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, July 23,
 11 2015, the proceedings in the above-captioned matter were
 12 taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.

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

22
 23
 24
 25


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 NM Certified Court Reporter No. 100
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