

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:)

) CASE NO. 13,982

APPLICATION OF EOG RESOURCES, INC.,)
FOR COMPULSORY POOLING AND HORIZONTAL)
DRILLING, EDDY COUNTY, NEW MEXICO)
_____)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

September 6th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, September 6th, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

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I N D E X

September 6th, 2007
Examiner Hearing
CASE NO. 13,982

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's

Identified

Admitted

Affidavit of
Carl A. Schellinger

3

5

* * *

A P P E A R A N C E S

FOR THE DIVISION:

MICHAEL THOMAS
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: KRISTINA MARTINEZ

* * *

1 WHEREUPON, the following proceedings were had at
2 11:08 a.m.:

3
4
5 EXAMINER EZEANYIM: On page 3 we call Case Number
6 13,982, and this is the Application of EOG Resources, Inc.,
7 for compulsory pooling and horizontal drilling, Eddy
8 County, New Mexico.

9 Call for appearances.

10 MS. MARTINEZ: Mr. Examiner, Kristina Martinez of
11 Holland and Hart, here on behalf of EOG Resources.

12 EXAMINER EZEANYIM: Any other appearances?
13 Any witnesses?

14 MS. MARTINEZ: No witnesses, just a short
15 presentation.

16 EXAMINER EZEANYIM: Are you going to present by
17 affidavit?

18 MS. MARTINEZ: Yes, we are going to present by
19 affidavit.

20 Mr. Examiner --

21 EXAMINER EZEANYIM: Okay, you may continue.

22 MS. MARTINEZ: -- I've just handed you the
23 affidavit of Mr. Carl A. Schellinger, who is an independent
24 landman that's been working with EOG Resources with regard
25 to this force pooling Application.

1 All mineral owners in the project area have
2 agreed to pool except for Mr. William Lawless. Mr. Lawless
3 originally was contacted by Mr. Schellinger on behalf of
4 McBride, who is a participant with EOG under this proration
5 unit.

6 Mr. McBride was able to get his sister, who also
7 owns an interest in the unit, to give a lease, but Mr.
8 Lawless would not.

9 He later informs EOG and McBride that he may be
10 willing to join the well. However, once we delivered the
11 AFE and the necessary agreements to him, his lawyer
12 contacted us, Mr. Derek Larson, his lawyer with the firm of
13 Sutin, Thayer and Browne, and let us know that Mr. Lawless
14 had decided not to join the well and preferred that we go
15 ahead with the compulsory pooling process.

16 We submitted our Application, and subsequently we
17 were contacted by Mr. Lawless's attorney, who let us know
18 that he would not oppose the force pooling, and therefore
19 we'd like to proceed by affidavit.

20 As attachments to the affidavit, Attachment A is
21 a plat of the land showing the spacing and the well
22 location. It's actually the C-102 for this well.

23 Attachment B is an exhibit to the operating
24 agreement, and on page 1 of Exhibit B you can see where
25 McBride has an interest, and on page 3 of Attachment B you

1 can see where Ms. Kathy Lawless McCullough, Mr. Lawless's
2 sister, has leased her interest, but Mr. Lawless has not.

3 Attachment C is a copy of the letter from Mr.
4 Lawless's attorney, Mr. Larson, letting us know that we
5 could direct all correspondence regarding this Application
6 to him.

7 Attachment D is an AFE for this well.

8 And Attachment E is our notice -- is our
9 affidavit notice showing that we provided the requisite
10 notice to Mr. Lawless.

11 I move the submission of this affidavit into the
12 record and ask that you take this matter under advisement.

13 EXAMINER EZEANYIM: The affidavit will be
14 admitted into evidence.

15 But I have a couple of questions which I don't
16 know whether you will be able to answer, but otherwise you
17 could give me the information.

18 MS. MARTINEZ: Okay.

19 EXAMINER EZEANYIM: Well, let me know if the
20 general counsel have any questions for him?

21 MR. THOMAS: (Shakes head)

22 EXAMINER EZEANYIM: You said that you are pooling
23 Mrs. or Ms. Lawless?

24 MS. MARTINEZ: Mr. Lawless, correct.

25 EXAMINER EZEANYIM: And he didn't want to join

1 drilling of the well?

2 MS. MARTINEZ: He didn't want to voluntarily
3 join. He wanted us to go through the force pooling
4 procedure, although he does not object to it.

5 EXAMINER EZEANYIM: Okay. And notice was given
6 to everybody?

7 MS. MARTINEZ: Notice was given. He was the only
8 person who didn't voluntarily join, and he was provided
9 notice, which you can see in Attachment E.

10 EXAMINER EZEANYIM: Yeah. On the plat, I am
11 trying to find the penetration point into the -- is that
12 the -- what formation are you going to?

13 MS. MARTINEZ: It's going to be --

14 EXAMINER EZEANYIM: Wolfcamp?

15 MS. MARTINEZ: It's the Wolfcamp formation, the
16 Cottonwood Creek-Wolfcamp Gas Pool.

17 EXAMINER EZEANYIM: Yeah, I know the Cottonwood
18 is a very tight formation, but do you know the penetration
19 point of that well?

20 MS. MARTINEZ: The surface location is 19 feet --
21 or 918 feet from the north line and 200 feet from the east
22 line of Lot 8.

23 EXAMINER EZEANYIM: Okay.

24 MS. MARTINEZ: And it's going to be a horizontal
25 drill in a westerly direction in the Wolfcamp formation.

1 And the bottomhole location will be 898 feet from the north
2 line and 660 feet from the west line of lot 5.

3 EXAMINER EZEANYIM: Okay, do you know the
4 penetration point?

5 MS. MARTINEZ: I do not, but I can get that to
6 you if you would like me to.

7 EXAMINER EZEANYIM: Well, okay, this entry point
8 here, I think you have an entry point here, 96- -- 9660.

9 MS. MARTINEZ: Right.

10 EXAMINER EZEANYIM: And as you know, the
11 Cottonwood is covered by a special pool rule.

12 MS. MARTINEZ: Yes.

13 EXAMINER EZEANYIM: So the bottomhole is maybe --
14 is that orthodox location?

15 MS. MARTINEZ: The bottomhole location is 898
16 feet from the north line. It's over -- It's in lot 5, so
17 you can see how it's being --

18 EXAMINER EZEANYIM: Yeah.

19 MS. MARTINEZ: -- drilled westerly.

20 EXAMINER EZEANYIM: Yeah.

21 MS. MARTINEZ: So it's 898 and 660.

22 EXAMINER EZEANYIM: Maybe a land person to
23 testify today, because now Rule 111 we apply, because we
24 have a project area, we also have -- going to have a
25 producing area, so that we determine whether, you know, the

1 producing horizon is standard with the -- I mean with the
2 requirements of that special pool rules.

3 So what I would like you to ask your landman is
4 to give me another plat, Form C-102, where you have -- you
5 have 224.56 acres, it's an irregular section.

6 MS. MARTINEZ: Correct.

7 EXAMINER EZEANYIM: That would be a project area.

8 MS. MARTINEZ: Right.

9 EXAMINER EZEANYIM: But I wanted to also see an
10 outline of the producing area.

11 MS. MARTINEZ: So you want another plat
12 showing --

13 EXAMINER EZEANYIM: -- the producing area.

14 MS. MARTINEZ: The --

15 EXAMINER EZEANYIM: I have seen the project area,
16 but I want the producing area.

17 MS. MARTINEZ: Okay, I can --

18 EXAMINER EZEANYIM: So in that case we can then
19 determine where the entry point is and see whether it's in
20 a -- it's a standard location.

21 MS. MARTINEZ: I believe it is a standard
22 location for the special rules, but --

23 EXAMINER EZEANYIM: Yeah, it's -- what he's
24 saying here is -- it might be a standard location, but you
25 know, when Rule 111 applies we always have the project area

1 and then the producing area, because this is a --

2 MS. MARTINEZ: Okay.

3 EXAMINER EZEANYIM: For me to approve it, we need
4 to make sure we protect our correlative rights and make
5 sure that your location is standard, and that's why -- You
6 could present it by affidavit, but at least I will need
7 some information.

8 MS. MARTINEZ: You'd like another plat showing --

9 EXAMINER EZEANYIM: Yeah --

10 MS. MARTINEZ: -- the entire production area.

11 EXAMINER EZEANYIM: Yeah, because --

12 MS. MARTINEZ: That makes sense.

13 EXAMINER EZEANYIM: Yeah. Yeah, I'm showing the
14 project area --

15 MS. MARTINEZ: Okay.

16 EXAMINER EZEANYIM: -- but I need to -- I need
17 the landman to map out the producing area.

18 MS. MARTINEZ: All right. Would you like us to
19 provide that to you by letter, or do you want to continue
20 this?

21 EXAMINER EZEANYIM: I would like to continue. I
22 will take this -- I would like to write this order. I will
23 take it under advisement. I don't think it's something we
24 are going to continue.

25 MS. MARTINEZ: Okay, then we will -- we'll get

1 you --

2 EXAMINER EZEANYIM: Yeah, I --

3 MS. MARTINEZ: -- that plat --

4 EXAMINER EZEANYIM: -- I want --

5 MS. MARTINEZ: -- as soon as possible.

6 EXAMINER EZEANYIM: -- to get that information.

7 MS. MARTINEZ: Sure. I'll have -- I'll probably
8 have Mr. Carr send it over, and we'll talk to Mr.
9 Schellinger this afternoon and let him know that's what you
10 need.

11 EXAMINER EZEANYIM: Yeah. Do you know what the
12 overhead rates are?

13 MS. MARTINEZ: Yes. They are on page 3 of the
14 affidavit -- or excuse me, page 2 of the affidavit, and
15 it's going to be \$4500 while drilling and then \$450 while
16 producing.

17 EXAMINER EZEANYIM: Okay. And what is the status
18 now? You've got no APD for the well or an API number?

19 MS. MARTINEZ: I believe they have. I don't have
20 that with me.

21 EXAMINER EZEANYIM: Okay. If they have, write
22 down what I'm asking. I want the plat, Form C-102 --

23 MS. MARTINEZ: Uh-huh.

24 EXAMINER EZEANYIM: I need to see a definition of
25 the producing area --

1 MS. MARTINEZ: Uh-huh.

2 EXAMINER EZEANYIM: Of course, the project area
3 is also the -- for that. And again, I know -- have you
4 obtained -- I think that you need to obtain an approval for
5 a nonstandard proration unit. That's not 320, 224.

6 MS. MARTINEZ: I believe that's been previously
7 approved.

8 EXAMINER EZEANYIM: Okay, I think -- Okay, you've
9 got an NSG for that. Okay, good.

10 Okay, so the two things I need here is the Form
11 C-102.

12 MS. MARTINEZ: You need a plat showing the
13 outline of the producing area?

14 EXAMINER EZEANYIM: Yes, uh-huh.

15 MS. MARTINEZ: I've got that one, and the second
16 thing was --

17 EXAMINER EZEANYIM: -- whether you have any --

18 MS. MARTINEZ: -- an APD?

19 EXAMINER EZEANYIM: -- APD or API number so that
20 I can include it in the order.

21 MS. MARTINEZ: Okay, I will make sure that we get
22 those things to you as soon as possible. Thank you, Mr.
23 Examiner.

24 That's all I have.

25 EXAMINER EZEANYIM: Okay, thank you very much.

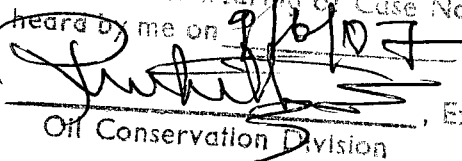
1 MS. MARTINEZ: Thank you.

2 EXAMINER EZEANYIM: At this point Case Number
3 13,982 will be taken under advisement.

4 And that concludes the hearing today.

5 (Thereupon, these proceedings were concluded at
6 11:17 a.m.)

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17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
the Examiner hearing of Case No. 13982
19 heard by me on 9/16/07
20  , Examiner
Oil Conservation Division
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24
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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL September 8th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010