

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

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

CASE NO. 14358

8 APPLICATION OF EOG RESOURCES, INC.
9 FOR A NONSTANDARD SPACING AND PRORATION
10 UNIT, EDDY COUNTY, NEW MEXICO.

11 and

CASE NO. 14334

12 APPLICATION OF EOG RESOURCES, INC. FOR
13 COMPULSORY POOLING, EDDY COUNTY,
14 NEW MEXICO.

15 REPORTER'S TRANSCRIPT OF PROCEEDINGS

16 EXAMINER HEARING

17 August 6, 2009
18 Santa Fe, New Mexico

19 BEFORE: WILLIAM JONES: Hearing Examiner
20 TERRY WARNELL: Technical Advisor
21 DAVID BROOKS: Technical Advisor

22 This matter came for hearing before the New Mexico
23 Oil Conservation Division, William Jones Hearing Examiner,
24 on June 2, 2009, at the New Mexico Energy, Minerals and
25 Natural Resources Department, 1220 South St. Francis
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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APPLICANT'S WITNESS:

DOUGLAS HURLBUT

Examination by Mr. Carr

4

APPLICANT'S EXHIBITS

Exhibit No. 1

7

Exhibit No. 2

7

Exhibit No. 3

9

Exhibit No. 4

9

COURT REPORTER'S CERTIFICATE

12

A P P E A R A N C E S

FOR THE APPLICANT:

WILLIAM F. CARR, ESQ.

Holland & Hart, LLP

P. O. Box 2208

Santa Fe, NM 87504-2208

1 HEARING EXAMINER: Let's call the first two
2 cases of the day, Case 14358 and Case 14334. Case 14358
3 is the Application of EOG Resources, Incorporated, for a
4 nonstandard spacing and proration unit, Eddy County,
5 New Mexico.

6 Case 14334 is the Application of EOG Resources,
7 Incorporated, for compulsory pooling, Eddy County,
8 New Mexico. Call for appearances.

9 MR. CARR: May it please the Examiner, my name
10 is William F. Carr with the Santa Fe office of Holland and
11 Hart, LLP. We represent EOG Resources, Inc. in these
12 cases. And I have one witness.

13 HEARING EXAMINER: Any other appearances? All
14 right. Would the witness please stand and be sworn in?

15 (Note: The witness was placed under oath by the
16 court reporter.)

17 MR. CARR: May it please the Examiner, these two
18 cases involve EOG's efforts to pool two working interest
19 owners, who cannot be located, within a horizontal well
20 project area.

21 The pooling portion of the case was presented on
22 June 25th under the alternative procedure whereby EOG
23 submitted an affidavit seeking to pool these interest
24 owners.

25 At the conclusion of the hearing, we were

1 advised that before these interests could be pooled, a
2 nonstandard spacing unit comprising the horizontal well
3 project area had to be created. And the case was
4 continued.

5 EOG then filed a companion application, which is
6 the application for the nonstandard proration unit, which
7 is part and parcel of this effort to bring these two
8 interest owners into this well.

9 And I have one witness.

10 DOUGLAS HURLBUT,
11 the witness herein, after first being duly sworn
12 upon his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q. Would you state your name for the record,
16 please?

17 A. Douglas W. Hurlbut.

18 Q. And Mr. Hurlbut, where do you reside?

19 A. Midland, Texas.

20 Q. By whom are you employed?

21 A. EOG Resources, Inc.

22 Q. And what is your current position with EOG?

23 A. I'm a petroleum landman.

24 Q. Have you previously testified before the New
25 Mexico Oil Conservation Division and had your credentials

1 as an expert in petroleum land matters accepted and made a
2 matter of record?

3 A. Yes, I have.

4 Q. Are you familiar with the applications filed in
5 these consolidated cases?

6 A. Yes, I am.

7 Q. And you're familiar with the status of the lands
8 in the area that are the subject of these cases?

9 A. Yes, I am.

10 MR. CARR: I tender Mr. Hurlbut as an expert
11 petroleum landman.

12 HEARING EXAMINER: Mr. Hurlbut, are you related
13 to Bill Hurlbut?

14 THE WITNESS: That's my younger better.

15 HEARING EXAMINER: You seem a lot quieter than
16 he. Okay, he's qualified as an expert.

17 Q. Mr. Hurlbut, would you briefly state what EOG
18 seeks with this application for the creation of a
19 nonstandard spacing unit?

20 A. Well, an order creating a 160 acre nonstandard
21 spacing and proration unit comprised of the north half of
22 the northeast quarter of Section 18, the north half of the
23 northwest quarter of Section 17 in Township 18 South,
24 Range 30 East, Eddy County, New Mexico

25 Q. Now, this is a nonstandard spacing unit?

1 A. Correct.

2 Q. And it is the project area for a horizontal
3 well?

4 A. It is.

5 Q. Would you identify that well by name?

6 A. It's the EOG Sand Tank 18 Federal Com Well
7 No. 2-H.

8 Q. And into what formation has this well been
9 drilled?

10 A. It's been drilled into the Bone Springs
11 formation.

12 Q. Are you the landman that signed the affidavit
13 that was presented in support of the compulsory pooling
14 application presented on June 25th?

15 A. Yes, I am.

16 Q. And are you here today to review the portion of
17 this effort that relates to the nonstandard spacing unit?

18 A. Yes, I am.

19 Q. You stated that the primary object in the well
20 is the Bone Springs formation?

21 A. That's correct.

22 Q. And in what pool is this well located?

23 A. Sand Tank Bone Springs pool.

24 Q. What is the spacing for this pool?

25 A. 40 acre oil spacing.

1 Q. And what is the character of the land in this
2 nonstandard spacing unit project area?

3 A. They are all federal lands.

4 Q. How many federal leases?

5 A. There's four federal leases.

6 Q. Could you refer to what has been marked for
7 identification as EOG Exhibit No. 1 and identify this for
8 the Commission?

9 A. This is actually the Application for Permit to
10 Drill dated August 25, 2008. That's when it was approved.
11 And it's for a period of two years.

12 Q. And what is the status of this well?

13 A. It's currently been drilled.

14 Q. Does it traverse each of the 40 acre federal
15 standard spacing units that are combined for the unit?

16 A. Yes, it does.

17 Q. And is the well currently producing?

18 A. Yes. It is a producing the well in a casing
19 unit.

20 Q. Would you go to what is marked Exhibit No. 2?
21 Would you identify and review that, please?

22 A. Okay, this is the Form C-102 which is the well
23 location acreage dedication plat that we file. And what
24 we're showing here is on the north half north half of this
25 unit.

1 This is the proposed nonstandard spacing unit
2 that's outlined in yellow and actually shows the surface
3 location of the well up in the northwest quarter of the
4 northeast quarter.

5 And as you can see, the well traverses the four
6 oil well spacing units to the bottom hole location over in
7 the northeast quarter of the northwest quarter of
8 Section 17.

9 Q. Why is EOG seeking approval of a nonstandard
10 spacing unit?

11 A. Well, because the horizontal well project area
12 comprised of multiple standard spacing units can be
13 approved without a hearing for the creation of nonstandard
14 units.

15 Q. What do you do, you just file a C-102?

16 A. Correct.

17 Q. This case is a little different, however, is it
18 not?

19 A. Yes, it is.

20 Q. And why is that?

21 A. Because we need to pool two working interest
22 owners.

23 Q. The Oil and Gas Act only provides for the
24 pooling of spacing units; is that right?

25 A. That's correct.

1 Q. And so prior to getting a pooling order, you're
2 seeking the creation of this nonstandard unit?

3 A. Correct.

4 Q. Would you go to Exhibit No. 3 and review that
5 for the Examiner?

6 A. Okay, Exhibit No. 3 is a listing of the working
7 interest owners who have agreed to join, except about
8 halfway down, there's a lady, Beatrice Anderson, with a 2
9 and a half percent working interest in this 160 acre unit,
10 and Juliet Condon, who has about a .625 percent working
11 interest in this 160 acre unit. These parties, we have
12 not been able to locate them.

13 Q. And that was reviewed in the prior hearing?

14 A. Correct.

15 Q. Could you identify what has been marked as EOG
16 Exhibit No. 4?

17 A. That is an affidavit that's signed.

18 Q. Does this affidavit confirm that notice of
19 hearing had been provided to --

20 A. Right.

21 Q. And to whom was notice provided?

22 A. It was provided to all the offset operators in
23 this case. It was sent to Yates Petroleum Corporation
24 who -- they operate over in the west and southwest part of
25 our unit, and Samson Resource, who is in the east and

1 southeast part of our unit.

2 Q. Does EOG operate the acreage north, northeast,
3 northwest, and south of the spacing unit?

4 A. Yes, they do.

5 Q. And have you currently drilled and are producing
6 Bone Springs horizontal wells similar to this one on each
7 of those tracts?

8 A. Yes, we are.

9 Q. In your opinion, will granting this application
10 be in the best interests of conservation and prevention of
11 waste and the protection of correlative rights?

12 A. Yes, it would.

13 MR. CARR: May it please the Examiner, we move
14 the admission into evidence of EOG Exhibits 1 through 4.

15 HEARING EXAMINER: Exhibits 1 through 4 will be
16 admitted.

17 MR. CARR: That concludes my direct examination
18 of Mr. Hurlbut.

19 HEARING EXAMINER: I guess the only question
20 David and I have, and so might Terry, but the well doesn't
21 traverse totally, because of the setback requirements,
22 all -- the two center 40s get covered totally by the well
23 bore?

24 THE WITNESS: Correct.

25 HEARING EXAMINER: Will all four 40s contribute

1 to production in the well?

2 THE WITNESS: Yes, they will. Each lease, 25
3 percent.

4 HEARING EXAMINER: For costs and for revenue?

5 THE WITNESS: Correct.

6 HEARING EXAMINER: Just for information
7 purposes, I ask that.

8 THE WITNESS: Okay.

9 HEARING EXAMINER: Okay. David, do you have any
10 questions?

11 MR. BROOKS: No, I don't think I have any
12 questions.

13 MR. WARNELL: No questions.

14 MR. CARR: May it please the Examiner, we would
15 request that in both of these cases, the applications be
16 approved, the nonstandard unit based on the presentation
17 here today, and the approval based on the affidavit that
18 was submitted on June 25th. And that concludes our
19 presentation.

20 HEARING EXAMINER: Thank you. Case 14358 and
21 Case 14334 will be taken under advisement.

22 (Whereupon, the proceedings concluded.)

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the Examiner hearing of Case No. _____,
heard by me on _____.

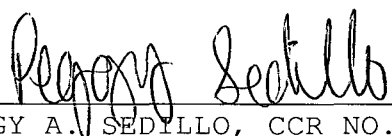
_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4

5 REPORTER'S CERTIFICATE
 6

7 I, PEGGY A. SEDILLO, Certified Court
 8 Reporter of the firm Paul Baca Professional
 9 Court Reporters do hereby certify that the
 10 foregoing transcript is a complete and accurate
 11 record of said proceedings as the same were
 12 recorded by me or under my supervision.

13 Dated at Albuquerque, New Mexico this
 14 16th day of August, 2009.
 15
 16
 17

18 
 19 _____
 20 PEGGY A. SEDILLO, CCR NO. 88
 License Expires 12/31/09
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