

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 NOS: 22699

APPLICATION OF EOG RESOURCES, INC.
FOR APPROVAL OF 1,000-ACRE NON-STANDARD
SPACING UNIT IN THE DELAWARE FORMATION
COMPRISED OF ACREAGE SUBJECT TO A
PROPOSED COMMUNITIZATION AGREEMENT,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
MAY 19, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD and TECHNICAL EXAMINER LEONARD LOWE on
Thursday, May 19, 2022, through the Webex Platform.

Reported by: PAUL BACA PROFESSIONAL COURT REPORTERS
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1 A P P E A R A N C E S

2 For the Applicant:

3 ADAM RANKIN
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6 I N D E X

7 CASE CALLED

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9	TAKEN UNDER ADVISEMENT	17
10	REPORTER CERTIFICATE	18

11 E X H I B I T I N D E X

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1 HEARING EXAMINER BRANCARD: Thank you. I will
2 now call Case 51, Number 22699, EOG Resources.

3 MR. RANKIN: Mr. Examiner, Adam Rankin with the
4 Santa Fe office of Holland & Hart appearing in this case on
5 behalf of the applicant EOG Resources Incorporated.

6 HEARING EXAMINER BRANCARD: Are there any other
7 interested persons for Case 22699?

8 (No audible response.)

9 HEARING EXAMINER BRANCARD: Hearing none, Mr.
10 Rankin, you may proceed.

11 MR. RANKIN: Thank you, Mr. Examiner. May it
12 please the Division. EOG in this case seeks an order
13 approving a 1000 acre non-standard spacing unit that would
14 match corresponding proposed communitization agreement with
15 the acreage underlying all of Section 10, the N/2 and NW/4
16 of the SW/4 of Section 15 in Township 24 South, Range 32
17 East in Lea County, New Mexico.

18 Mr. Examiner, we filed an exhibit packet on
19 Tuesday in this case seeking, as I mentioned, to create a
20 non-standard spacing unit that would be dedicated to the
21 Delaware formation.

22 EOG has previously sought a non-standard -- been
23 approved for non-standard spacing units for the exact same
24 acreage in the Bone Spring and Wolfcamp Formations in the
25 prior case which is referred to in our exhibit packet.

1 Exhibits that were filed consist of Exhibit A,
2 which is the application that was filed in this case,
3 Exhibit B which is the affidavit of EOG's landman, Chloe
4 Sawtelle. Chloe has previously testified before -- let me
5 back up. Ms. Sawtelle has previously testified before the
6 Division and has had her credentials as an expert in
7 petroleum land matters accepted as a matter of record.

8 She reviews in her affidavit the acreage that is
9 proposed for the non-standard spacing unit. Attached to her
10 affidavit as Exhibit B-1 is an exhibit that outlines the
11 acreage and the status of the lands that were comprised of
12 the non-standard spacing unit. You will note that the
13 acreage is comprised of several different federal, federal
14 leases identified by color in her Exhibit B-1.

15 Subsequent pages of her exhibit reflect the
16 difference between what a standard spacing unit, how that
17 would be arranged, versus the non-standard proposed, and the
18 well pads that would be required on each of the different --
19 whether it's standard or non-standard, as well as the last
20 page of that exhibit it shows where the location of each of
21 the proposed wells will be within the non-standard spacing
22 unit.

23 Exhibit B-2 of her affidavit is a copy of the
24 draft C-102s that have been prepared by COG -- EOG,
25 identifying the location of each of the wells, then the

1 proposed non-standard spacing unit and the dedicated acreage
2 within.

3 Exhibit C is the affidavit of the John Tidholm.

4 He is the geologist with EOG. He has not previously
5 testified. Attached to his affidavit is his resume
6 reviewing his education and work experience as a petroleum
7 geologist.

8 Mr. Examiner, I would ask, based on his
9 experience an education reflected in his Exhibit C-1 that
10 Mr. Tidholm be recognized as an expert in petroleum geology
11 before the Division at this time.

12 HEARING EXAMINER BRANCARD: Thank you. The
13 witness will be recognized as an expert.

14 MR. RANKIN: In his affidavit Mr. Tidholm reviews
15 the geology that underlies what's within the proposed
16 spacing unit.

17 Exhibit C-2 to his affidavit is a structure map
18 that is based on the top of the Brushy Canyon. That is one
19 the zones within the Delaware Mountain Formation that is
20 part of what will be comprised -- that will comprise the
21 spacing unit. On that structure map, he has identified
22 three wells, A to A Prime, which are representative of the
23 geology in the area.

24 You will see in the next exhibit, C-3 that he has
25 prepared a cross section identifying the various zones that

1 have comprised the Delaware Mountain Group and identify the
2 target for EOG's wells for the bottom of the Brushy Canyon.

3 Mr. Tidholm determines that there is no
4 impediments to horizontal development across the acreage and
5 that the orientation of the wells is appropriate and that
6 horizontal wells will result in the prevention of waste and
7 conservation of resources and protection of correlative
8 rights.

9 Exhibit D is the affidavit of Mr. Peter Tan. As
10 with the prior, Mr. Tan has not previously testified before
11 the Division. Mr. Tan has included in with his an affidavit
12 Exhibit D-1 which is his resume outlining his education and
13 work experience as a petroleum engineer.

14 At this time, Mr. Examiner, I would request that
15 the Division recognize Mr. Tan as an expert in petroleum
16 engineering.

17 HEARING EXAMINER BRANCARD: The witness will be
18 recognized as an expert.

19 MR. RANKIN: Thank you. Mr. Examiner Exhibit D-2
20 attached to Mr. Tan's affidavit, he reviews the location of
21 tank batteries that would -- and other facilities that
22 would be required if EOG were forced to seek standard
23 spacing units for this acreage.

24 Mr. Tan reviews the -- as a result, it would
25 have to be three additional tank batteries along with

1 additional pipelines that would have to tie into the
2 facilities if they were required to do standard spacing
3 units rather than just one, and he finalized that in his
4 exhibit.

5 The next page of the exhibit shows the
6 orientation and the construction if it were a non-standard
7 spacing unit which would result in a single tank battery and
8 fewer pipelines and surface disturbance as a result.

9 Mr. Tan goes on to explain the impact of cost on,
10 on EOG if it were required to do standard spacing units in
11 this case. As reflected in this Exhibit D-4, he compares
12 the costs of the different spacing unit outcomes and would
13 then testify that it would be a cost savings of
14 approximately \$10.4 million using a non-standard spacing
15 unit as a result of the reduction in surface facilities and
16 surface disturbance.

17 In addition, Mr. Tan has testified that because
18 of fewer facilities, fewer tank batteries, the project will
19 reduce by approximately three-quarters the unavoidable air
20 emissions from tanks emitted from the facilities that would
21 be needed to produce hydrocarbons.

22 As a result of these cost savings and the
23 reductions in emissions, Mr. Tan testifies that it's his
24 opinion that the non-standard spacing unit is necessary to
25 prevent waste and would also protect correlative rights.

1 Based on that, Mr. Examiner, I would -- oh,
2 finally, most important thing perhaps is notice. Exhibit E
3 is a copy of the affidavit that we prepared reflecting that
4 the application was provided -- notice of the application
5 was provided by certified mail to the parties identified on
6 the attached spreadsheet. Also attached to the affidavit is
7 a copy of the letters, plural, that were sent out to the
8 notice parties on the dates reflected on each of the
9 letters. The second letter was sent out to ensure that BLM
10 was notified since federal acreage is involved.

11 The certified mail report was updated as of May
12 17. In addition, we caused to be published the notice of
13 publication in the newspaper on December 22, identifying
14 each of the parties that are subject -- affected by this
15 application and that's attached as as Exhibit F.

16 With that, Mr. Examiner, I would move the
17 admission of Exhibits A through F with their attachments and
18 ask that these cases be taken under advisement and stand for
19 any questions that I may be able to answer if the Division
20 has any.

21 HEARING EXAMINER BRANCARD: Thank you. Mr. Lowe,
22 questions?

23 TECHNICAL EXAMINER LOWE: Good morning. I have a
24 few questions on your application here, sir. In your
25 application you reference a previous hearing order

1 R-21782 -- I'm trying to find it again -- indicates that --
2 Number 8, in that hearing order, what does that hearing
3 order do in references to two pools, Wolfcamp and Bone
4 Springs?

5 MR. RANKIN: Yeah, so it does the same thing that
6 this application requests which is to create a non-standard
7 spacing unit for each of those -- for each of those
8 formations.

9 TECHNICAL EXAMINER LOWE: So that hearing order
10 basically has two pool references, pool -- formation
11 references, basically.

12 MR. RANKIN: I believe that the -- yeah, it
13 sought to create two separate spacing units, and the order
14 created two separate spacing units that were non-standard,
15 one for the Bone Spring and one for the Wolfcamp.

16 TECHNICAL EXAMINER LOWE: Okay. And the one that
17 you are requesting here is for the Delaware.

18 MR. RANKIN: Right. That's the pool, pool that's
19 been assigned by the Division for the formation, right, that
20 EOG is seeking to designate for the spacing unit.

21 TECHNICAL EXAMINER LOWE: And the building blocks
22 for this pool, what?

23 MR. RANKIN: Well, because it's a non-standard --

24 TECHNICAL EXAMINER LOWE: General building
25 blocks?

1 MR. RANKIN: Yeah, there are no building blocks.

2 I guess it's a 1000 acreage chunk.

3 TECHNICAL EXAMINER LOWE: As far as that pool
4 formation, is it 40 or 160?

5 MR. RANKIN: For this Wolfcamp zone --

6 TECHNICAL EXAMINER LOWE: For the Delaware.

7 MR. RANKIN: I believe it's 40 acre spacing.

8 TECHNICAL EXAMINER LOWE: 40 acre spacing, okay.

9 So all of these together you are creating a CA.

10 MR. RANKIN: This will be subject to a CA because
11 they are essentially different leases, federal leases across
12 the acreage.

13 TECHNICAL EXAMINER LOWE: The Well Number 1H,
14 your C-102, it appears -- how far is it to the western edge
15 of the spacing unit, requested spacing unit.

16 MR. RANKIN: It's 330.

17 TECHNICAL EXAMINER LOWE: 330.

18 MR. RANKIN: Yes.

19 TECHNICAL EXAMINER LOWE: And then the Number 4
20 well, that appears to be more than 330, I'm assuming, just
21 by the picture, but there is --

22 MR. RANKIN: Well, it's -- the C-102 identifies
23 it as being 330 from the east line.

24 TECHNICAL EXAMINER LOWE: I'm trying to look at
25 the take points, but the bottom hole location says that, but

1 that's irrelevant to the, to the distance from the edge.
2 But, I mean, if it's standard, indicated standard -- sorry.
3 bear with me, I'm looking down -- all of these are going to
4 be -- actually, on Page 27 of 41 of your exhibit where it
5 indicates the map, all those lines there, are those wells
6 that are going to be eventually proposed under this unit in
7 this area? Is that what -- is that what this is displaying?

8 MR. RANKIN: My understanding is, Examiner Lowe,
9 is that the additional lines here would be potential for a
10 full, full acreage development within the zone. But so
11 clearly it's depicting more wells than what, you know, EOG
12 is initially seeking to drill.

13 TECHNICAL EXAMINER LOWE: Okay. I'm just trying
14 to cipher what your legend indicates. Your legend indicates
15 that, according to this one, the well pads are on the
16 northern edge of the spacing unit and yet on Well Number 1
17 on your C-102 it shows the exterior of the spacing unit you
18 are requesting. I don't know if that's just an error or if
19 that was intended.

20 Your Well Number 1H shows that the surface
21 location is in the SW/4 of the SW/4 of the northern adjacent
22 section. But I'm just -- I just don't know. I wasn't too
23 sure what was going on there.

24 MR. RANKIN: I, I would go off the C-102s, Mr.
25 Examiner. I can confirm that in an e-mail following, but I

1 believe that the C-102s would be accurate.

2 TECHNICAL EXAMINER LOWE: The majority of the
3 items displayed at Page 27 of 41 are just kind of a
4 generalization of what is intended to happen here?

5 MR. RANKIN: Yeah. I mean, I think the intent
6 was to show the focus was on the tank batteries and the flow
7 lines --

8 TECHNICAL EXAMINER LOWE: Okay.

9 MR. RANKIN: -- as a depiction, you know,
10 generally indicate that, you know, with a standard approach,
11 standard spacing unit approach, they would be required to
12 have four tank batteries in total with additional flow lines
13 and acreage disturbance in the spacing unit; whereas, with a
14 non-standard they would be permitted to construct only one
15 tank battery.

16 And one thing I neglected to say is that, in the
17 affidavits here you will see that EOG is intending to seek
18 commingling authority between all three zones, the Wolfcamp,
19 Bone Spring, and Delaware so that it would further reduce
20 the ultimate impact on the acreage here.

21 TECHNICAL EXAMINER LOWE: Okay. And this case
22 here is basically just asking for the non-standard spacing
23 unit; correct?

24 MR. RANKIN: correct.

25 TECHNICAL EXAMINER LOWE: Okay. Is there any

1 reason why you went straight to hearing for this and not
2 administratively?

3 MR. RANKIN: Well, Mr. Examiner, I appreciate you
4 asking that. I think in the past the Division has expressed
5 some concern about confirming and ensuring that applications
6 for non-standard spacing units have met the requirements to
7 demonstrate that they are necessary to prevent waste.

8 And so our understanding is that the Division had
9 asked that these cases be brought to hearing for a full
10 vetting of those issues, but I do think that in light of the
11 potential evolution of these cases and maybe the Division's
12 comfort with the presentation on these cases, that it may be
13 appropriate to be able to present these cases by
14 administrative application which is contemplated actually
15 expressly in the rule.

16 So, you know, going forward, you know, there is
17 situations that deem, that appear to be appropriate for
18 administrative submission, I think we would request that we
19 be able to do so going forward.

20 TECHNICAL EXAMINER LOWE: Okay. All right. All
21 my questions. Thank you, sir. Mr. Brancard?

22 HEARING EXAMINER BRANCARD: Thank you. So why
23 the boot heel shape?

24 MR. RANKIN: Yeah. The boot heel shape is a --
25 is a -- and I guess to just back up a moment. You will

1 note, Mr. Examiner, that we did ask in the prehearing
2 statement, and I will just reiterate here just for
3 completion, for complete purposes, that we ask that the
4 administrative record of the prior cases that are referred
5 to, that the Division take administrative notice of those
6 cases.

7 And I will state on the record it's the -- let me
8 find the reference. It's -- the cases associated with
9 Division order are 21782. The reason for the boot heel is
10 that the acreage, the other remaining acreage in that
11 section is subject to a JOA in which XTO is the operator.
12 And so that, that shape is necessary to, you know, divide
13 between EOG's operating acreage and XTO's operating acreage.

14 HEARING EXAMINER BRANCARD: Okay. I assume you
15 provided notice then to adjoining interest owners?

16 MR. RANKIN: Yes, in this case --

17 HEARING EXAMINER BRANCARD: It lists interest
18 owners, but it doesn't indicate where they come from.

19 MR. RANKIN: That's a good point, Mr. Examiner.
20 I apologize for neglecting to address that. Interest
21 was -- rather, notice was provided to owners in each of the
22 surrounding sections including owners who -- affected
23 parties who would be excluded from this section, I believe
24 it's 15. So notice was provided to all offset owners, as
25 well as owners included in Section 15.

1 HEARING EXAMINER BRANCARD: So it indicates in
2 the landman's affidavit that a portion of that land in the
3 southern part of Section 15 is under a JOA with Apache, but
4 that SW, SW/4 section over in the corner is just XTO.

5 MR. RANKIN: Right. And I think I miss -- you
6 corrected my misstatement. Apache is the JOA operator and
7 then there's a portion of XTO, correct.

8 HEARING EXAMINER BRANCARD: Okay. So it
9 indicates here that you have been in contact -- your client
10 has been in contact with XTO and XTO does not object. So
11 XTO is among those who got notice?

12 MR. RANKIN: Correct. Correct.

13 HEARING EXAMINER BRANCARD: And so if we had
14 done -- if your client had done these as standard spacing
15 units, it would be three spacing units because you would do
16 a proximity on the E/2?

17 MR. RANKIN: Correct.

18 HEARING EXAMINER BRANCARD: But you can't do that
19 on the W/2 because you have the boot heel shape.

20 MR. RANKIN: Correct.

21 HEARING EXAMINER BRANCARD: Okay. I appreciate
22 all the evidence you presented supporting the non-standard
23 spacing unit. It's been very helpful. And, Mr. Lowe, any
24 further questions?

25 TECHNICAL EXAMINER LOWE: Just more of like an

1 announcement, I guess I would say, for all the operators and
2 applicants that are submitting -- say that they submit a
3 case that contains a compulsory pooling and a non-standard
4 spacing unit, I would suggest or recommend that operator
5 applicants separate the notice reference in their exhibits
6 to indicate certain affected parties are for the spacing
7 unit and others are for the compulsory pooling.

8 I believe -- I think that would be a little
9 easier to write up the orders and very, distinguish that all
10 notice was provided and in reference to what area. That's
11 it.

12 HEARING EXAMINER BRANCARD: Thank you. Finally,
13 again, are there any other interested persons for Case
14 22699?

15 (No audible response.)

16 HEARING EXAMINER BRANCARD: Hearing none. The
17 exhibits will be admitted into the record and this case will
18 be taken under advisement. There is nothing else we have
19 requested or asked, Mr. Lowe, is that correct?

20 TECHNICAL EXAMINER LOWE: What was that?

21 HEARING EXAMINER BRANCARD: We did not request
22 any additional information, did we, today?

23 TECHNICAL EXAMINER LOWE: No.

24 HEARING EXAMINER BRANCARD: So the case will
25 be -- Case 22669 will be taken under advisement.

1 (Exhibits admitted.)

2 (Taken under advisement.)

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1 STATE OF NEW MEXICO

2 COUNTY OF BERNALILLO

3 REPORTER'S CERTIFICATE

4 I do hereby certify that I reported the
5 foregoing virtual proceedings in stenographic shorthand and
6 that the foregoing pages are a true and correct transcript
7 of those proceedings to the best of my ability.

8 I FURTHER CERTIFY that I am neither employed by
9 nor related to any of the parties or attorneys in this case
10 and that I have no interest in the final disposition of this
11 case.

12 I FURTHER CERTIFY that the Virtual Proceeding was
13 of poor to good quality.

14 Dated this 19th day of May 2022.

15

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Court Reporter
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