

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:

ORIGINAL

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

CASE NO. 14334

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: TERRY G. WARNELL, Presiding Examiner  
RICHARD EZEANYIM, Technical Examiner  
DAVID K. BROOKS, Legal Examiner

June 25, 2009

Santa Fe, New Mexico

2009 JUN -9 A 8:05

RECEIVED OGD

This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY G. WARNELL, Presiding Examiner, DAVID K. BROOKS, Legal Examiner, and RICHARD EZEANYIM, Technical Examiner, on Thursday, June 25, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91  
Paul Baca Professional Court Reporters  
500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART  
William F. Carr, Esq.  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501

INDEX

PAGE

EXHIBITS 1 ADMITTED INTO EVIDENCE	6
REPORTER'S CERTIFICATE	12

1 MR. WARNELL: Okay. The next case we'll  
2 call is Case Number 14334, application of EOG Resources,  
3 Inc., for compulsory pooling, Eddy County, New Mexico.  
4 Call for appearances.

5 MR. CARR: May it please the Examiner, my  
6 name is William F. Carr with the Santa Fe office of  
7 Holland & Hart, LLP. We represent EOG Resources in this  
8 matter, and I request permission to present the case  
9 under the alternative procedure authorized by Rule  
10 19.15.4.12.

11 MR. WARNELL: Any other appearances? Mr.  
12 Carr, you may proceed.

13 MR. CARR: In this case EOG seeks an order  
14 pooling certain owners who cannot be located, and so  
15 we're proceeding under the alternative procedure  
16 authorized by the section of the rules governing notice  
17 requirements for specific adjudications.

18 Before you is an affidavit of Douglas W.  
19 Hurlbut. Mr. Hurlbut is a land man for EOG, and in this  
20 affidavit states that EOG expects no opposition because  
21 all parties who can be located have voluntarily committed  
22 their interest to the well.

23 Attached to the affidavit is a copy of the  
24 Division form C-102 that shows the unit to be dedicated  
25 to the well. This is a horizontal well, and the acreage

1 to be dedicated is a 160-acre project area comprised of  
2 four standard oil spacing units in the Bone Spring  
3 formation. The acreage to be dedicated to the well  
4 consists of the north half of the northwest quarter of  
5 Section 17 and the north half of the northeast quarter of  
6 Section 18, Township 18 South, Range 30 East, in Eddy  
7 County, New Mexico.

8 As I stated, all owners who they have been  
9 able to locate have agreed to participate in the well,  
10 and the only interests subject to pooling are the  
11 interest of Beatrice Anderson, who owns a 2.5 percent  
12 working interest, and Julliette Condon, that has a .625  
13 percent working interest.

14 In the affidavit Mr. Hurlbut sets out the  
15 efforts made by EOG to locate these individuals. They  
16 used a broker to search the county records. They did an  
17 Internet search. They reviewed probate proceedings.  
18 They sent an AFE to the last known address and it was  
19 returned, and the returned AFE is part of Attachment D to  
20 the affidavit.

21 They also -- because many of the parties and  
22 owners in the well are part of a group that includes a  
23 number of Yates Petroleum Company related entities, they  
24 were allowed by Yates to go and search their database,  
25 but even that search produced nothing as to each of these

1 interest owners. The affidavit sets out the combined fix  
2 rates of 6,000 a month while drilling the well and 600 a  
3 month while the well is producing, and these are the  
4 percentages to which the interest owners who are joining  
5 have agreed.

6 And if you'll note on Exhibit B, there are  
7 probably 20 interest owners -- or Attachment B -- there  
8 are probably 20 owners who have agreed to participate.  
9 EOG itself has 65 percent of the working interest, and  
10 the remainder of the working interest owners are  
11 relatively small. But we are to a point where we have  
12 over 96 percent of the working interest voluntarily  
13 committed to the well.

14 Since we have no address that we can  
15 communicate with these parties or reach them, we have,  
16 however, provided notice as required by OCD rules, and  
17 Attachment D to the affidavit is the notice of  
18 publication from the local newspaper. Also attached is  
19 the AFE for the well, which identifies the well's  
20 location and the subject formation.

21 We would, therefore, request that this case be  
22 taken under advisement based on this affidavit and an  
23 order entered pooling these interests. And I would move  
24 the admission of EOG Resources Exhibit Number 1.

25 MR. WARNELL: Okay. Exhibit Number 1 will

1 be admitted. Any questions?

2 (Exhibit 1 was admitted.)

3 MR. BROOKS: I guess you're going to have  
4 to set up an escrow for these people; right?

5 MR. CARR: We will escrow the funds  
6 attributable to these interests in a bank in Eddy County,  
7 New Mexico.

8 MR. BROOKS: Okay. If I could think of  
9 some questions to prolong this matter I would do so.

10 MR. WARNELL: Well, let's see.

11 MR. CARR: I also booked the day for this.

12 MR. WARNELL: Richard, do you have any  
13 questions?

14 MR. EZEANYIM: Yeah. Let's go back to the  
15 plat, C-102. This is a horizontal well; right?

16 MR. CARR: Yes, sir, it is.

17 MR. EZEANYIM: Where is the surface  
18 location? Is it Unit B or Unit D?

19 MR. CARR: The surface location is Unit B  
20 of Section 18, and it is on the left side of the spacing  
21 unit or the west side.

22 MR. WARNELL: This is Section 18 and this  
23 is 17.

24 MR. CARR: Yeah. That's confusing because  
25 it is four and they're not in the north half of the

1 section, but it straddles the section.

2 MR. EZEANYIM: As long as they are  
3 contiguous. They were going from one section to the  
4 other?

5 MR. CARR: Correct.

6 MR. EZEANYIM: Okay. And the penetration  
7 point is the same as the surface location?

8 MR. CARR: The penetration point is sort  
9 of southwest of that location.

10 MR. EZEANYIM: But that is -- if I'm  
11 looking at this right, the penetration point is 430 from  
12 the north?

13 MR. CARR: Actually, it's farther from the  
14 north and -- because -- no. I'm sorry, Mr. Examiner.  
15 I'm looking at the wrong line. You're correct. It's 430  
16 from the north line. You're right.

17 MR. WARNELL: So surface penetration is  
18 basically the same as the surface location?

19 MR. CARR: Yes, as far as I can tell.

20 MR. WARNELL: Has this well been drilled  
21 yet?

22 MR. CARR: No.

23 MR. WARNELL: They must have an APD,  
24 because I did find an API number.

25 MR. CARR: It's my understanding they are

1 ready to go on this.

2 MR. BROOKS: I was not paying attention to  
3 what was going on here, unfortunately. Doesn't this need  
4 a nonstandard unit?

5 MR. CARR: You know, I don't know. We  
6 have created these horizontal project areas, and as long  
7 as we have had, you know, contiguous standard spacing  
8 units as a project area, I'm not aware that we have gone  
9 ahead and created the nonstandard unit in the past.

10 MR. BROOKS: Well, we had one. We have  
11 one. We don't when we don't have a forced pooling, but  
12 we have to create a unit because --

13 MR. CARR: The pooling statute talks about  
14 when there's more than one interest owner in a spacing  
15 unit.

16 MR. BROOKS: Yes. And it's been my view  
17 that we have to have a nonstandard unit created, that you  
18 can only pool a horizontal project area by creating a  
19 nonstandard unit.

20 MR. CARR: If you desire, we'll continue  
21 this and do that.

22 MR. BROOKS: That would be consistent with  
23 the position we have taken here before.

24 MR. CARR: I'm very sorry you have so much  
25 time today.



1 MR. BROOKS: I should have been more on my  
2 toes in paying attention to that. Because what we have  
3 done before is we have required -- we have yet to have  
4 one contested, but we've required notice to offsetting  
5 owners, and we've required the establishment of a spacing  
6 unit, and it's required that you come in and put up some  
7 testimony that all areas are considered prospective for  
8 production, all the component units are considered  
9 prospective for production.

10 MR. CARR: What I prefer, then, is that we  
11 continue this. We would have to continue it to at least  
12 the 23rd of July and, perhaps, beyond. If we could go to  
13 the 23rd -- well, we really can't. We have to go to  
14 August because we don't have time. Tuesday was the  
15 deadline, I think, on the 23rd.

16 MR. BROOKS: Yeah, for filing.

17 MR. CARR: So it would be the first  
18 hearing in August.

19 MR. WARNELL: Any idea when that is?

20 MR. BROOKS: That's August the 6th.

21 MR. WARNELL: That's right.

22 MR. CARR: Then that's what we have to do.

23 MR. BROOKS: You know, I hate to spring  
24 that one on you, but that's the way we made Mr. Bruce do  
25 it, and it seems like we ought to make you do the same

1     thing.

2                   MR. CARR: Well, I would think that the  
3     reasons for making me do things is not because you made  
4     Mr. Bruce do them, but they're required by the rules. I  
5     am not arguing with you. I think you're correct.

6                   MR. BROOKS: It's more than the rules.  
7     They're required by statute, because the statutory  
8     authority to force pool is limited to a spacing unit.  
9     But then we have the Eubanks case which says a spacing  
10    unit can be any size.

11                  MR. CARR: I'm in agreement with you, so  
12    at least there's something noteworthy today.

13                  MR. BROOKS: Not Eubanks, Wilbanks. The  
14    Wilbanks case.

15                  MR. CARR: I represented the Commission in  
16    that case and I think you're correct.

17                  MR. BROOKS: Then you understand the  
18    situation.

19                  MR. CARR: Yes, sir. Then we request it  
20    be continued to the first hearing in August.

21                  MR. WARNELL: The good news is I believe  
22    August 6th is my docket so that will work.  
23    Unfortunately, I think David is going to be on vacation.

24                  MR. BROOKS: I will be here on the 6th. I  
25    will be on vacation July the 23rd. I will be in San

1 Francisco.

2 MR. WARNELL: Very good, then. Case  
3 Number 14334 will be continued to the August 6th docket.

4 MR. BROOKS: I will be in San Francisco  
5 learning some new tricks that I can spring on Mr. Carr.

6 \* \* \*

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_,  
heard by me on \_\_\_\_\_.  
\_\_\_\_\_, Examiner  
Oil Conservation Division

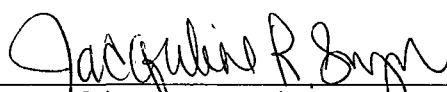
## REPORTER'S CERTIFICATE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on June 25, 2009, proceedings in the  
above captioned case were taken before me and that I did  
report in stenographic shorthand the proceedings set  
forth herein, and the foregoing pages are a true and  
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by  
nor related to nor contracted with any of the parties or  
attorneys in this case and that I have no interest  
whatsoever in the final disposition of this case in any  
court.

WITNESS MY HAND this 8th day of July, 2009.

  
Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2009