

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:

APPLICATION OF EOG RESOURCES, INC., Case No. 14574  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Technical Examiner  
DAVID K. BROOKS, Legal Examiner

December 2, 2010

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, WILLIAM V. JONES,  
Technical Examiner, and DAVID K. BROOKS, Legal Examiner,  
on Thursday, December 2, 2010, at the New Mexico Energy,  
Minerals and Natural Resources Department, 1220 South St.  
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

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, LLP  
OCEAN MUNDS-DRY, ESQ.  
110 N. Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421

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EXHIBITS 1 AND 2 WERE ADMITTED

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REPORTER'S CERTIFICATE

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1 EXAMINER JONES: Let's call Case 14574,  
2 application of EOG Resources, Incorporated, for a  
3 non-standard oil spacing and proration unit and for  
4 compulsory pooling, in Eddy County, New Mexico.

5 Call for appearances.

6 MS. MUNDS-DRY: Good morning,  
7 Mr. Examiners. Ocean Munds-Dry, with the law firm of  
8 Holland & Hart, LLP, representing EOG Resources, Inc.,  
9 this morning. I am presenting this case by affidavit.

10 EXAMINER JONES: Any other appearances?

11 MS. MUNDS-DRY: I'm going to ask you,  
12 Mr. Examiners, to look at these exhibits in reverse  
13 order. If we could go to Exhibit Number 2, first. This  
14 is the affidavit of Doug Hurlbut, who is the landman for  
15 EOG Resources who is responsible for the lands in Section  
16 1, Township 18 South, Range 29 East, Eddy County, New  
17 Mexico.

18 EOG seeks an order creating a non-standard  
19 spacing unit comprised of the south half/north half of  
20 Section 1, and pooling certain interest owners in the  
21 south half/north half of Section 1 in the Bone Spring  
22 formation, to form a 160-acre project area for its  
23 proposed Sand Tank 1 Fed Com Well Number 4H.

24 EOG proposes to drill this well horizontally  
25 from a surface location 2,250 feet from the north line,

1 330 feet from the east line, to a bottomhole location  
2 2,200 feet from the north line and 330 feet from the west  
3 line of Section 1, to a true vertical depth of  
4 approximately 7,500 feet subsurface.

5 Attachment A to Mr. Hurlbut's affidavit is the  
6 C-102, which shows you the project area and producing  
7 area for the well.

8 Attachment B, Mr. Hurlbut has indicated that  
9 there are four leases that they are communitizing here,  
10 each comprising 25 percent for the well. The application  
11 has been -- and these are four federal leases, Mr. Jones,  
12 if I didn't mention that previously.

13 The application has been instituted to pool  
14 the interests of Elizabeth Najjar, Susan Nishio -- I hope  
15 I'm saying that correctly -- David Najjar and Jeffrey  
16 Najjar. They are working interest owners who do not  
17 oppose the application.

18 EOG has proposed the well to these interest  
19 owners, and if you look at Attachment C, it shows a copy  
20 of the well proposal letter that was sent to these  
21 interest owners on September 15th, 2010.

22 EOG proposed the well, included the well  
23 costs, the AFE, which is attached there, and Mr. Hurlbut  
24 also shows evidence of the green cards that he sent to  
25 those interest owners. All parties on that list that

1 Mr. Hurlbut has attached in Attachment C have voluntarily  
2 agreed to commit their interest, except for the parties  
3 that I indicated previously.

4 EOG proposes overhead charges of 6,000 per  
5 month while drilling and 600 per month while producing.  
6 Attachment D is another copy of the AFE showing the  
7 proposed well costs.

8 The offset operator, there's only one that we  
9 notified for the project area. EOG owns all the  
10 properties around, except for Yates Petroleum  
11 Corporation. So you'll see in attachment E, it consists  
12 of our notice letter to the pooled parties and to the  
13 offset operator, Yates, and includes a copy of the legal  
14 publication, our green cards, and I believe that's it in  
15 Attachment E.

16 Mr. Hurlbut testifies that approval of the  
17 application will avoid the drilling of unnecessary wells,  
18 will prevent waste, will protect correlative rights, and  
19 will allow EOG and the other interest owners in the south  
20 half/north half of Section 1 an opportunity to obtain  
21 their just and fair share of the minerals under the  
22 subject lands.

23 In Exhibit 1, Mr. Examiner, it's the affidavit  
24 of Daryl J. Siebens, Jr. He is the  
25 geophysicist/geologist employed by EOG who is familiar

1 with the geology and the subject lands.

2 Attached to Mr. Siebens' affidavit is  
3 Attachment A. It's a net porosity isochore map of the  
4 second Bone Spring Sand formation overlane by a structure  
5 map. The map shows that the Sand Tank 1 Fed Com 4H will  
6 drill through a net porosity thick in a structurally  
7 up-dip position.

8 Attachment B is a cross-section, and that also  
9 shows the second Bone Spring Sand formation, which is  
10 EOG's target. And also in attachment B is a diagramatic  
11 projection of the planned horizontal.

12 Finally, attached to the affidavit is  
13 Attachment C, which is the horizontal drilling plan for  
14 the subject well. Mr. Siebens testifies in his affidavit  
15 that all four quarter/quarter sections in the well are  
16 prospective and that EOG anticipates producing reserves  
17 from each of the quarter/quarter sections.

18 And with that, Mr. Examiner, I move for the  
19 admission of Exhibit 1 and its attachments, and Exhibit 2  
20 and its attachments.

21 EXAMINER JONES: Exhibits 1 and its  
22 attachments and Exhibit 2 and its attachments will be  
23 admitted.

24 Would you please remind me why we continued  
25 this case?

1 (Exhibits 1 and 2 were admitted.)

2 MS. MUNDS-DRY: I don't think we continued  
3 this case.

4 EXAMINER JONES: I've got a huge  
5 transcript here, October the 28th --

6 EXAMINER BROOKS: 4574?

7 EXAMINER JONES: That's the reason. I  
8 apologize.

9 MS. MUNDS-DRY: Do we have the right case  
10 numbers? I want to make sure.

11 EXAMINER JONES: I finally have the right  
12 case numbers.

13 I better pass it on to David.

14 MR. BROOKS: Well, I would be a little  
15 happier if Mr. Siebens had said that horizontal drilling  
16 throughout this unit was a reasonable way to develop this  
17 area, but I'm not going to make waves over that. So no  
18 more questions.

19 EXAMINER JONES: Mr. Hurlbut's testimony?

20 EXAMINER BROOKS: Mr. Hurlbut may not be  
21 competent to say that. Mr. Siebens, I think, would be.  
22 Like I say, I'm not going to make a situation of this.

23 EXAMINER JONES: We work with  
24 Mr. Hurlbut's brother all the time.

25 MR. BROOKS: Did he used to work for Oxy?

1 MS. MUNDS-DRY: Doug Hurlbut?

2 EXAMINER BROOKS: Yeah.

3 MS. MUNDS-DRY: I don't know. He's been  
4 with EOG for some time now.

5 EXAMINER BROOKS: Okay. It doesn't  
6 matter.

7 EXAMINER JONES: I don't have anymore  
8 questions.

9 MS. MUNDS-DRY: I have nothing further.  
10 I'd ask that this be taken under advisement.

11 EXAMINER JONES: Case 14574 will be will  
12 be taken under advisement. Okay.

13 MS. MUNDS-DRY: Thank you.

14 EXAMINER JONES: That's the end of the  
15 docket. This hearing is adjourned.

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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

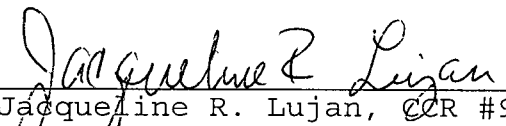


## REPORTER'S CERTIFICATE

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on December 2, 2010, 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 14th day of December,  
2010.

  
Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2010