

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: 22261

APPLICATION OF EOG RESOURCES INC.  
FOR APPROVAL OF 945.20 ACRE NON-STANDARD  
SPACING UNIT IN THE WOLFCAMP FORMATION  
COMPRISED OF ACREAGE SUBJECT TO A PROPOSED  
COMMUNITIZATION AGREEMENT,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS  
EXAMINER HEARING  
DECEMBER 2, 2021  
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before  
the New Mexico Oil Conservation Division, HEARING OFFICER  
WILLIAM BRANCARD and TECHNICAL EXAMINERS DEAN McCLURE and  
DYLAN ROSE-COSS on Thursday, December 2, 2021, through the  
Webex Platform.

Reported by: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102  
505-843-9241

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A P P E A R A N C E S

For the Applicant:

ADAM RANKIN  
HOLLAND & HART  
110 North Guadalupe, Suite 1  
Santa Fe, NM 87501  
505-954-7286

I N D E X

CASE CALLED

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

Admitted

Exhibits and Attachments 10

1 HEARING EXAMINER BRANCARD: With that, I will  
2 call 22361, EOG Resources.

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

6 HEARING EXAMINER BRANCARD: Thank you. Are there  
7 any other interested persons for Case 22261?

8 (No audible response.)

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

11 MR. RANKIN: Thank you. In this case EOG is  
12 seeking approval of a 945.2 acre, more or less, non-standard  
13 spacing unit in the Wolfcamp formation that will be  
14 comprised of acreage subject to a proposed federal  
15 communitization unit in Lea County, New Mexico.

16 This application consists of -- sorry. The  
17 exhibit packet that was submitted on Tuesday consists of six  
18 exhibits, Exhibit A being the application that was filed in  
19 the case, Exhibit B being the affidavit of EOG's landman,  
20 Mr. Reese Cook. Mr. Cook has not previously testified  
21 before the Division, so he includes with his affidavit a  
22 copy of his relevant education and work experience that  
23 qualifies him to testify as a petroleum, expert in petroleum  
24 land matters. We ask at this time that Mr. Cook be  
25 qualified as an expert in petroleum land matters based on

1 his education and work experience.

2 HEARING EXAMINER BRANCARD: Any objections?

3 (No audible response.)

4 HEARING EXAMINER BRANCARD: So accepted.

5 MR. RANKIN: Mr. Cook, in his affidavit, reviews  
6 the basis for EOG's request for the approval of their  
7 non-standard spacing unit. It would be located in all of  
8 Sections 26 and 35, including lots 1, 2, 3 and 4, in  
9 Township 26 South, Range 32 East in Lea County. It will be  
10 comprised of the Wolfcamp formation.

11 The exhibits outlines the acreage that were  
12 comprised, but not (unclear) non-standard spacing unit also  
13 identifies the federal leases that would be included in the  
14 acreage.

15 In this case EOG owns 100 percent of the working  
16 interest in the Wolfcamp formation underlying within the  
17 proposed spacing unit, and they seek approval in this case  
18 to conform with the BLM's requirement for spacing units to  
19 match the CA that they are seeking approval for.

20 Exhibit B-3 is a copy of the proposed CA that  
21 would be submitted to the BLM. In this case the target pool  
22 is the (unclear) a Wolfcamp pool, Pool Code 98097.

23 Mr. Cook's affidavit identifies each of the wells that have  
24 been drilled within the proposed spacing unit.

25 Exhibit C-4 identifies the C-102s for each of the

1 wells that reflect first and last take points and the  
2 (unclear) with the standard required setbacks.

3 And EOG in this case has been designated operator  
4 for each of the tracts that surround the spacing units and  
5 100 working interest owners, so the only parties requiring  
6 notice were the BLM and the state land office.

7 Exhibit C is the affidavit of EOG's geologist in  
8 this case, Mr. Megan Cook. As with Mr. Cook, she has not  
9 previously testified before the Division, so she attached  
10 her resume, CV, outlining her educational and relevant work  
11 experience qualifying her to testify as an expert in  
12 petroleum geology. So at this time, Mr. Examiner, we would  
13 ask that Ms. Cook be qualified as an expert in petroleum  
14 geology.

15 HEARING EXAMINER BRANCARD: The witness is so  
16 qualified.

17 MR. RANKIN: Thank you. Exhibit C-2 is a subsea  
18 structure map with (unclear) on top with Wolfcamp that  
19 identifies the proposed spacing unit. She does not identify  
20 any issues with pinchouts or impediments for horizontal well  
21 development.

22 It also identifies a cross section, land cross  
23 section which is depicted in in her Exhibit C-3 showing the  
24 target interval for each of the proposed -- each of the  
25 wells drilled in the proposed spacing units, and

1 demonstrates that the formation here in the Wolfcamp is  
2 continuous across the entire standard spacing unit that is  
3 being proposed.

4 She testifies that, in her opinion, a  
5 non-standard spacing unit will afford EOG the flexibility to  
6 match the well spacing of the target reservoir rather than  
7 individual standard spacing units and will allow for more  
8 efficient and effective development since the internal  
9 setbacks required by the standard spacing units will be  
10 eliminated.

11 She also testifies that it will result in greater  
12 efficiency if the federal allow EOG to consolidate the  
13 surface facilities which is addressed in the third and final  
14 affidavit. So she testifies that granting the application  
15 will be in the interest of conservation and prevention of  
16 waste and protection of correlative rights.

17 EOG's last exhibit is the affidavit of Mr. Shaun  
18 Guthrie. He is a petroleum -- rather the facilities  
19 engineer specialist with EOG. He also has not testified  
20 been the Division, and so has included an outline of his  
21 education and relevant work experience as a facilities  
22 engineer.

23 At this time, Mr. Examiner, I would ask that the  
24 Division recognize Mr. Guthrie as an expert in facilities  
25 engineering.

1 HEARING EXAMINER BRANCARD: The witness is so  
2 accepted.

3 MR. RANKIN: Mr. Guthrie's testimony reviews and  
4 identifies the proposed spacing unit and the facilities that  
5 are in place and the facilities that would be required if  
6 the spacing units were -- two spacing units were to be  
7 required rather than one as proposed.

8 And he identifies and testifies that a single  
9 tank battery will reduce the pipeline length and will reduce  
10 overall surface disturbance as well as reduce the estimated  
11 emissions by approximately half.

12 In sum, he testifies that the total cost saving  
13 by not having to construct an additional central tank  
14 battery and additional pipelines would result in  
15 approximately \$3.2 million of cost savings which would allow  
16 these wells to be perpetuated for a longer period of time,  
17 number one. And then, as a result of the fewer facilities,  
18 would result in approximately 50 percent fewer air  
19 emissions.

20 For those reasons he testifies that permitting  
21 EOG to develop this as a non-standard spacing unit will be  
22 necessary for the interest of conservation and prevention of  
23 waste and the protection of correlative rights.

24 And Exhibits E and F are our affidavit of notice  
25 that we provided. Notice is required by the Division rules

1 to BLM and State Land Office, and we went ahead and  
2 published that notice as well.

3 So at this time, Mr. Examiner, I would move the  
4 admission of Exhibits A through F, and if the Division or  
5 yourself have any questions, I will do my best to address  
6 them.

7 HEARING EXAMINER BRANCARD: Thank you. Mr.  
8 Rose-Coss, questions?

9 TECHNICAL EXAMINER ROSE-COSS: No questions.

10 HEARING EXAMINER BRANCARD: Okay. Mr. Rankin,  
11 I'm looking at Mr. Guthrie's affidavit.

12 MR. RANKIN: Yes.

13 HEARING EXAMINER BRANCARD: And you may not know  
14 the answer to this, but he makes this sort of blanket  
15 statement that decrease in the surface facilities will  
16 reduce by approximately 50 percent the air emissions.

17 Is that just simply because there are fewer tanks  
18 and surface facilities, therefore there is fewer emissions?

19 MR. RANKIN: My understanding is that because you  
20 would be cutting in half the number of facilities, you would  
21 be cutting in half the amount of emissions that would  
22 result.

23 HEARING EXAMINER BRANCARD: We certainly hope you  
24 eliminate all of your emissions. That's a subject for  
25 another day. Are there any other interested persons for

1 Case 22261, EOG Resources.

2 (No audible response.)

3 HEARING EXAMINER BRANCARD: Hearing none, the  
4 exhibits will be admitted into the record, and Case 22261  
5 will be taken under advisement. Thank you.

6 MR. RANKIN: Thank you, Mr. Examiner.

7 (Exhibits admitted.)

8 (Taken under advisement.)

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1 STATE OF NEW MEXICO  
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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the Virtual Proceeding was of reasonable quality.

Dated this 2nd day of December 2021.

/s/ Irene Delgado  
\_\_\_\_\_  
Irene Delgado, NMCCR 253  
License Expires: 12-31-21