

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 NO. 13,639

APPLICATION OF EOG RESOURCES, INC.,)
FOR COMPULSORY POOLING AND HORIZONTAL)
DRILLING, EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

February 2nd, 2006

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, February 2nd, 2006, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

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I N D E X

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Examiner Hearing
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A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 8:23 a.m.:

3 EXAMINER JONES: Call Case 13,639, Application of
4 EOG Resources, Incorporated, for compulsory pooling and
5 horizontal drilling, Eddy County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Good morning, Mr. Hearing
8 Examiner. My name is Ocean Munds-Dry with the law firm of
9 Holland and Hart, here representing EOG Resources, Inc.,
10 this morning.

11 EXAMINER JONES: Any other appearances?

12 MS. MUNDS-DRY: Mr. Hearing Examiner, EOG is
13 requesting an order pooling certain interest owners in the
14 south half of Section 7, Township 16 South, Range 25 East,
15 in Eddy County, New Mexico, under the alternative procedure
16 under Rule 1210, which is available where you're able to
17 locate certain interest owners and the application is
18 unopposed by those located.

19 You'll see here in Exhibit 1 -- it's the
20 affidavit of Richard L. Lanning, and as he testifies, all
21 the mineral owners in the proposed unit area have
22 voluntarily agreed to pool their interests. Unfortunately,
23 EOG has been able [sic] to identify and locate certain
24 working interest owners. And I'll go through with you as
25 we proceed, the efforts they undertook to try to locate

1 those interest owners.

2 The interest owners that have not been able to be
3 found, despite the diligent by EOG, are Paul Puckett and
4 his wife Mary E. Puckett, George Puckett and his wife
5 Lucille Puckett, Emma Puckett, Jean Puckett-Smith and
6 Marolyn Puckett-Smith.

7 As Mr. Lanning testifies in his affidavit, they
8 originally sent certified letters to their last known
9 addresses, which they located from old visas that were
10 issued in the 1970s, and they took those addresses and,
11 like I said, offered -- they sent them a lease offer.
12 Those letters -- and I'll show you that, the attachment,
13 here shortly -- all came back as unclaimed or not at that
14 address.

15 They also performed an Internet search in an
16 attempt to locate the mineral interest owners. They also
17 hired a private investigator who went to the neighborhoods
18 where these interest owners lived and attempted to locate
19 them. We're still not able to find them. And they of
20 course searched the county records in hopes of finding any
21 transfers of title and again were unsuccessful in finding
22 them.

23 If you'll turn to Attachment A, that is a plat of
24 the subject lands showing the proposed project area, the
25 producing area and the well location. This is a horizontal

1 well that they propose to drill. EOG dedicates what
2 they're calling the Yellow B 7 Fee Well Number 1H to the
3 proposed project area. It's to be drilled from a surface
4 location of 1880 feet from the south line and 660 feet from
5 the east line to a depth of approximately 5100 feet, and
6 then heading in a westerly direction approximately 3965
7 feet into the Wolfcamp, to a bottomhole location of 1880
8 feet from the south line and 660 feet from the west line in
9 Section 7. And like I said, that's shown on that C-102,
10 which is Attachment A to the affidavit.

11 Mr. Lanning has prepared Attachment B which shows
12 the interests, the nature and percentage of ownership
13 interests, in the proposed project area.

14 Attachment C to the affidavit is an AFE. You'll
15 see that this AFE was completed in January 24th, 2006.
16 They did not -- EOG did not send this AFE to those interest
17 owners because, as we know from previous efforts, they were
18 unable to locate them. But this does show you a recent --
19 they did give this recent summary of the costs.

20 EOG proposes overhead charges of \$4500 a month
21 while drilling and \$450 per month while producing, and this
22 is lower than is normally charged in the area. They try to
23 maintain a fair cost.

24 EOG requests that these interests be pooled and
25 that EOG be designated operator of the well in the project

1 area.

2 Mr. Examiner, because it is a horizontal well Mr.
3 Lanning also discusses some particular details of the
4 horizontal well. EOG has proposed it as a horizontal well,
5 because it allows more of the formation to be exposed and
6 treated. In EOG's experience, Mr. Lanning testifies in his
7 affidavit, vertical wells in the Wolfcamp are not
8 economical.

9 EOG plans to run and cement casing in the
10 horizontal portion of the wellbore. The formation will
11 then be stimulated by a high-volume water and sand frac,
12 and I've included under Attachment A more information and
13 the copies of the filings from the C-101 and the C-102, to
14 give you more information on the cementing and casing
15 program.

16 EXAMINER JONES: Okay.

17 MS. MUNDS-DRY: Horizontal wells are more
18 expensive to drill, and there is more of a mechanical risk
19 compared to a vertical well, as Mr. Lanning testifies, and
20 he also lists in his affidavit other horizontal wells that
21 EOG has successfully drilled, and that is in paragraph 12
22 of his affidavit.

23 And Attachment D to the affidavit is an affidavit
24 of publication, as required by the notice requirements in
25 the Rules. As we were unable to locate these interest

1 owners, we did publish notice.

2 And finally, as I mentioned before, Attachment E
3 is the letter that was originally sent to these interest
4 owners asking to lease their interests. And I included in
5 here all of the green cards that show you that they all
6 came back unclaimed.

7 As Mr. Lanning testified to in his affidavit,
8 approval of this Application will avoid the drilling of
9 unnecessary wells, will prevent waste, will protect
10 correlative rights, and allow EOG and the other interest
11 owners in the south half of Section 7 an opportunity to
12 obtain their just and fair share underlying the subject
13 lands.

14 And with that, Mr. Hearing Examiner, we ask the
15 exhibits be admitted into evidence.

16 EXAMINER JONES: Okay, that's Exhibits 1 with all
17 the attachments, shall be admitted into evidence. And
18 that's it, right?

19 MS. MUNDS-DRY: That's it.

20 EXAMINER JONES: Okay. Well, the Wolfcamp gas,
21 and he's going horizontal, and he's going to cement it and
22 frac it.

23 MS. MUNDS-DRY: That's my understanding.

24 EXAMINER JONES: And he's going to do it for less
25 than \$2 million. It's taken Yates more than \$2 million to

1 drill just a vertical Atoka well to the Mississippian.

2 MS. MUNDS-DRY: That's what they estimate in
3 their AFE.

4 EXAMINER JONES: I think EOG must have drilled a
5 lot of horizontal wells already.

6 MS. MUNDS-DRY: I think you'll see that in his
7 affidavit, he lists quite a few horizontal wells that
8 they've successfully drilled, so...

9 EXAMINER JONES: Okay. They're going to drill a
10 pilot hole first and then plug back and then drill a
11 horizontal, it looks like?

12 MS. MUNDS-DRY: That's my understanding.

13 EXAMINER JONES: Okay. And it's still at a
14 standard location, it looks like?

15 MS. MUNDS-DRY: It is a standard location at both
16 the surface location and the bottomhole location. And you
17 can see that on the C-102; it's all within the producing
18 area.

19 EXAMINER JONES: Okay. Well, the measured depth
20 and the TV depth, true vertical depth, should be in there
21 too somewhere, maybe on the AFE itself. Yeah, it's got --
22 it does have both of them on the AFE, so okay.

23 And the Pucketts could not be located. This is
24 -- What part of the country is this?

25 MS. MUNDS-DRY: This is in --

1 EXAMINER JONES: -- Eddy County somewhere?

2 MS. MUNDS-DRY: -- Eddy County.

3 MS. MacQUESTEN: Seven miles northwest of
4 Artesia.

5 EXAMINER JONES: Okay.

6 MS. MUNDS-DRY: And it's seven miles northwest of
7 Artesia, New Mexico.

8 EXAMINER JONES: North and west, wow. Okay,
9 let's -- Gail, do you have any questions?

10 MS. MacQUESTEN: No questions, thank you.

11 EXAMINER JONES: Okay, well thanks very much.

12 MS. MUNDS-DRY: Thank you, Mr. Examiner.

13 EXAMINER JONES: With that, we'll take Case
14 13,639 under advisement.

15 (Thereupon, these proceedings were concluded at
16 8:30 a.m.)

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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

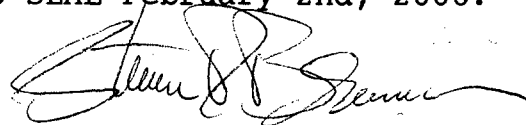
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL February 2nd, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006