

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. 13,640

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.

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I N D E X

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E X H I B I T S

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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 8:30 a.m.:

3 EXAMINER JONES: Call the companion case, let's
4 call the companion case, which is Case 13,640, Application
5 of EOG Resources, Incorporated, for compulsory pooling and
6 horizontal drilling, Eddy County, New Mexico.

7 Call for appearances.

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

12 EXAMINER JONES: I take it this is a similar
13 case, just --

14 MS. MUNDS-DRY: I think you'll find this is
15 shockingly similar.

16 EXAMINER JONES: Okay. Shocking and similar
17 sometimes don't go together, but in this case, sounds good.
18 And they've already got API numbers for both of these
19 wells?

20 MS. MUNDS-DRY: Yes, they do.

21 I'll go through this very briefly, Mr. Examiner,
22 as we in the previous case went through this in more
23 detail.

24 Again, EOG requests an order pooling certain
25 interest owners, and they are the same interest owners as

1 the previous case, Paul and Mary Puckett, George and
2 Lucille Puckett, Emma Puckett, Jean Puckett-Smith and
3 Marolyn Puckett-Smith. And despite EOG's diligent search,
4 they were unable to locate these interest owners.

5 Again, all mineral owners in the proposed unit
6 area have voluntarily agreed to pool their interests, we
7 just haven't been able to find these certain working
8 interest owners.

9 Again, Exhibit 1 is the affidavit of Richard L.
10 Lanning, and he outlines the diligent search that EOG
11 conducted to try to find these certain interest owners.

12 Attachment A is a plat of the subject lands
13 showing the proposed project area, the producing area and
14 the well location. EOG seeks to dedicate its Yellow A 7
15 Fee Well Number 1H to the proposed project area, to be
16 drilled from a surface location of 672 from the north line
17 and 852 from the east line, to a depth approximately 5100
18 feet, and then again heading in a westerly direction,
19 approximately 3793 feet into the Wolfcamp, to a bottomhole
20 location 760 feet from the north line and 660 from the west
21 line in Section 7. So this is, again, the north half of
22 that Section 7.

23 Also you'll note in Attachment A, I also included
24 the C-101 and other details of the casing cementing
25 program.

1 Attachment B to the affidavit is nature and
2 percentage of ownership interests in the proposed project
3 area.

4 Attachment C is an AFE which again was completed
5 on January 24th, 2006. And EOG also proposes overhead
6 charges of \$4500 a month while drilling and \$450 a month
7 while producing.

8 EOG requests that these interests be pooled and
9 EOG designated operator of the well in the project area.

10 Attachment D is the affidavit of publication. As
11 I noted in the earlier case, since we were unable to locate
12 these interest owners for the notice requirements, we
13 published notice in this newspaper.

14 And finally Attachment E is the letter sent to
15 the interest owners seeking to lease their interest and
16 also again includes the green cards showing that they were
17 all returned unclaimed.

18 And as Mr. Lanning testifies in his affidavit,
19 approval of this application will avoid drilling of
20 unnecessary wells, will prevent waste, will protect
21 correlative rights and allow EOG and the other interest
22 owners in the north half of Section 7 an opportunity to
23 obtain their just and fair share underlying the subject
24 lands.

25 And with that whirlwind presentation, we'd ask

1 that these exhibits be admitted into evidence.

2 EXAMINER JONES: Okay, Exhibits 1 with all the
3 attachments will be admitted to evidence. And is that all
4 the exhibits?

5 MS. MUNDS-DRY: That is all the exhibits, Mr.
6 Examiner.

7 EXAMINER JONES: Did you say \$4500 and \$450?

8 MS. MUNDS-DRY: \$4500 a month, uh-huh, and
9 \$450 --

10 EXAMINER JONES: Per month?

11 MS. MUNDS-DRY: -- while producing --

12 EXAMINER JONES: -- while producing --

13 MS. MUNDS-DRY: -- per month, uh-huh.

14 EXAMINER JONES: For both of these wells, right?

15 MS. MUNDS-DRY: For both wells.

16 EXAMINER JONES: Okay, what if they drill the
17 first well and find out that they're going in a little bit
18 of the wrong direction, they need to change their
19 direction, so they need to change their permit to change
20 the location of the -- at least the surface of the well?

21 I don't know what latitude we have to exactly
22 specify the surface and bottomhole location in these
23 compulsory pooling orders, whether we could just say that
24 it's going to be a standard location within a certain unit
25 or not, but you want us to put the exact location on this

1 compulsory pooling for both of these, and then if they
2 change the location they'll have to potentially revise the
3 compulsory pooling?

4 MS. MUNDS-DRY: I believe they'd have to revise
5 the location.

6 MR. CARR: If you put exact locations then they'd
7 have to revise. If you stayed on the horizontal well from
8 a standard location approximately and that the horizontal
9 portion of the wellbore will be confined within the
10 producing well, I think you would have to advise -- or
11 revise the...

12 EXAMINER JONES: It sounds wiser to me to do
13 that, and I assume we have the latitude to do that. As
14 long as it's a standard location and they would have to get
15 it approved by the District Office to -- whatever location
16 anyway --

17 MS. MUNDS-DRY: Right.

18 EXAMINER JONES: So as far as compulsory pooling
19 goes, as long as it's standard and within the unit and the
20 whole unit is being compulsory pooled, is that okay, Gail?

21 MS. MacQUESTEN: I think so.

22 EXAMINER JONES: Okay.

23 MS. MacQUESTEN: Might save us another hearing.

24 EXAMINER JONES: Okay, if it's all right with you
25 I'll go ahead and change that to specify just that --

1 MS. MUNDS-DRY: That would be fine, Mr. Hearing
2 Examiner.

3 EXAMINER JONES: And the Pucketts may end up
4 being rich someday if we can ever find them.

5 MS. MUNDS-DRY: You never know.

6 EXAMINER JONES: Okay. Well, with that -- That
7 finishes that case?

8 MS. MUNDS-DRY: That's all I have.

9 EXAMINER JONES: With that, we'll take Case
10 13,640 under advisement.

11 MS. MUNDS-DRY: Thank you, Mr. Hearing Examiner.

12 EXAMINER JONES: Thank you.

13 (Thereupon, these proceedings were concluded at
14 8:38 a.m.)

15 * * *

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19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____

22 _____, Examiner
23 Oil Conservation Division
24
25

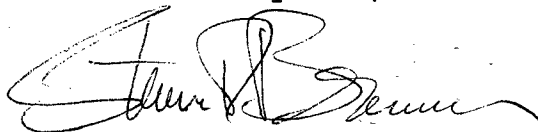
CERTIFICATE OF REPORTER

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