

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. 13,660

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

March 16th, 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, March 16th, 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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March 16th, 2006
 Examiner Hearing
 CASE NO. 13,660

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REPORTER'S CERTIFICATE

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E X H I B I T

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A P P E A R A N C E S

FOR THE DIVISION:

TED APODACA
 Assistant General Counsel
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FOR THE APPLICANT:

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 Santa Fe, New Mexico 87504-2208
 By: OCEAN MUNDS-DRY

* * *

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

1 WHEREUPON, the following proceedings were had at
2 8:18 a.m.:

3 EXAMINER JONES: So with that, we will start with
4 Case 13,660, Application of EOG Resources, Incorporated,
5 for compulsory pooling and horizontal drilling, Eddy
6 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 in Santa Fe, representing EOG Resources,
11 Incorporated, this morning.

12 EXAMINER JONES: Any other appearances?

13 No witnesses?

14 MS. MUNDS-DRY: No witnesses this morning, Mr.
15 Examiner.

16 EOG asks that we present this case to you under
17 the alternative Rule 1210.A.(1).(B), which is available to
18 us when we are unable to locate owners of interests to be
19 pooled.

20 Mr. Hearing Examiner, you may recall we have had
21 a similar case to this for EOG, I believe the last time I
22 appeared before you. In this instance, EOG is requesting
23 an order pooling certain interest owners in the south half
24 of Section 11, Township 16 South, Range 24 East, in Eddy
25 County, New Mexico.

1 All the mineral owners in the proposed unit area
2 have voluntarily agreed to pool their interests. However,
3 certain working interest owners have not been found.

4 And Mr. Jones, if you'll turn to Exhibit Number
5 1, you'll see it's the affidavit of Richard L. Lanning. He
6 outlines the project. In this case, again, EOG seeks to
7 drill a horizontal well, and I'll discuss with you some of
8 the particular details of that in a moment.

9 But it also outlines EOG's efforts to locate
10 certain unknown heirs of Mary Pearl Whiteside. And as
11 discussed in Mr. Lanning's affidavit, some short background
12 for you, Ms. Whiteside owned 50 percent in the south half
13 of the south half of the proposed spacing unit. She died
14 in California in 1983 and apparently was never married and
15 didn't have any children.

16 In an effort to locate any heirs or next of kin,
17 EOG employed a private investigator who traveled to
18 California and interviewed the employees at the assisted
19 living facility where she ultimately died, to try to
20 determine if she had any next of kin or any heirs. And the
21 home had no information whether there were any heirs or
22 next of kin.

23 EOG also searched the county records in Eddy
24 County. As Mr. Lanning discusses in his affidavit, they
25 did not find any filings of record since 1924, when she

1 issued an oil and gas lease. They also searched the
2 Internet and again to no avail. So they've been unable to
3 locate whether there are any heirs or next of kin for Ms.
4 Whiteside.

5 If you'll turn to Attachment A, you will see that
6 it is a -- the C-102 which shows the plat of the subject
7 lands, which shows the proposed project area, the producing
8 area and the well location. EOG proposes to dedicate its
9 Brazos "B" 11 Fee Well Number 1 H to the proposed spacing
10 unit, to be drilled from a surface location 1730 feet from
11 the south line, 660 feet from the east line, to a depth of
12 approximately 5100 feet, and then in a westerly direction
13 approximately 3986 feet in the Wolfcamp and to a bottomhole
14 location of 1880 from the south line and 660 from the west
15 line in Section 11.

16 EOG has proposed a horizontal well because it
17 allows more of the formation to be exposed and treated. As
18 Mr. Lanning testifies in his affidavit, it's been EOG's
19 experience that vertical wells in the Wolfcamp have not
20 been economical.

21 EOG plans to run cement casing in the horizontal
22 portion of the wellbore. The formation will then be
23 stimulated by a high-volume water and sand frac. And I
24 included the more detailed information for you, Mr. Jones,
25 from the C-101 and C-102 filings for your information on

1 their casing cement program.

2 Also, Mr. Lanning testifies in his affidavit that
3 horizontal wells are more expensive to drill, and there is
4 more of a mechanical risk compared to a vertical well. Mr.
5 Lanning also lists in his affidavit on page 2 other
6 horizontal wells that EOG has successfully drilled in that
7 area, for your information.

8 If you'll turn to Attachment B, Mr. Lanning has
9 shown the tracts that are in the proposed spacing unit and
10 listed for you the nature and percentage of the ownership
11 interest in the proposed project area. And as I mentioned
12 earlier, all other interest owners in the spacing unit have
13 already voluntarily agreed to commit their interest.

14 Attachment C is the AFE, which is dated February
15 13th, 2006. This was not submitted to Ms. Whiteside's
16 heirs, as we explained we could not find any.

17 EOG proposes overhead charges of \$4500 a month
18 while drilling and \$450 a month while producing.

19 EOG requests that these interests be pooled and
20 that EOG be designated operator of the well in the project
21 area.

22 And finally Attachment D -- and hopefully you
23 have a readable copy -- is an affidavit of publication
24 which we published as we could not find the interest owners
25 pursuant to Division Rules.

1 And finally, Mr. Jones, Mr. Lanning testifies in
2 his affidavit that approval of this Application will avoid
3 drilling of unnecessary wells, will prevent waste, will
4 protect correlative rights, and allow EOG and the other
5 interest owners in the south half of the section an
6 opportunity to obtain their just and fair share underlying
7 the lands.

8 And with that, we would ask that Exhibit 1 and
9 its attachments be admitted into evidence.

10 EXAMINER JONES: Exhibit 1 and the attachments
11 will be admitted to evidence.

12 This affidavit -- Rick Lanning is a landman?

13 MS. MUNDS-DRY: Yes.

14 EXAMINER JONES: And he's also testifying about
15 well information and horizontal drilling, that kind of
16 stuff. He didn't get any help from an engineer on this?
17 Or if he did, they wouldn't put their name on it?

18 MS. MUNDS-DRY: I assume he did, but he is
19 speaking on behalf of EOG.

20 EXAMINER JONES: I got you, okay. And to let you
21 know, the other two are drafted, and they're working their
22 way through the system.

23 MS. MUNDS-DRY: Thank you, Mr. Jones.

24 EXAMINER JONES: And the AFE appears to be kind
25 of light on costs.

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1 MS. MUNDS-DRY: EOG -- I discussed that with
2 them, and they believe in trying to maintain low costs, in
3 fairness to their other interest owners in the spacing
4 unit.

5 EXAMINER JONES: Okay.

6 MR. APODACA: Counsel, I have some questions
7 regarding the Mary Whiteside heirs. Is it my understanding
8 that all the mineral owners except the heirs of Mary
9 Whiteside have voluntarily agreed to pool their interests?

10 MS. MUNDS-DRY: Yes, sir.

11 MR. APODACA: And Mary Whiteside died in 1983?

12 MS. MUNDS-DRY: Yes.

13 MR. APODACA: Do you know whether she died
14 intestate?

15 MS. MUNDS-DRY: I don't know the answer to that.

16 MR. APODACA: Were there any attempts made to
17 research the county records and the district court records
18 in the county in California where she died, to see if any
19 will was probated or any type of proceeding occurred with
20 respect to distributing the assets of her estate?

21 MS. MUNDS-DRY: I'm sorry, I don't know the
22 answer to that either. I know that they spent a
23 significant amount of time in California searching for any
24 heirs, and I don't know if that included searching those
25 county records or not. I can certainly attempt to find out

1 that information and report that to Mr. Jones, if that
2 would --

3 MR. APODACA: And finally, legal advertisement
4 was made in the State of New Mexico, as I can see. Was
5 there any legal advertisement made in the State of
6 California?

7 MS. MUNDS-DRY: No, there was not.

8 MR. APODACA: Thank you, Counsel.

9 MS. MUNDS-DRY: And just for the record, I
10 believe the Rules reflect that we needed to, in fact, give
11 publication in the county where the property is being
12 affected.

13 MR. APODACA: Yeah, that's correct.

14 EXAMINER JONES: Okay, with that we'll take Case
15 13,660 under advisement.

16 MS. MUNDS-DRY: Thank you, Mr. Jones.

17 (Thereupon, these proceedings were concluded at
18 8:28 a.m.)

19 * * *

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

23 _____, Examiner
24 Oil Conservation Division
25

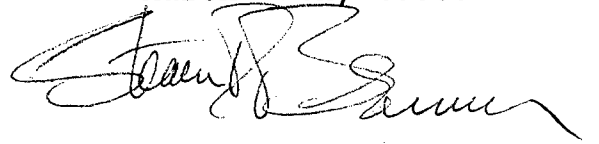
CERTIFICATE OF REPORTER

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 March 19th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006