

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:

ORIGINAL

APPLICATION OF EOG RESOURCES FOR
APPROVAL OF A 472-ACRE NONSTANDARD
PROJECT AREA COMPRISED OF ACREAGE
SUBJECT TO A PROPOSED COMMUNITIZATION
AGREEMENT, LEA COUNTY, NEW MEXICO.

CASE NO. 15584

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 17, 2016

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, November 17, 2016, at the New Mexico Energy,
Minerals and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

APPEARANCES

FOR APPLICANT EOG RESOURCES:

JORDAN L. KESSLER, ESQ.
HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
jlkessler@hollandhart.com

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1 (10:07 a.m.)

2 EXAMINER McMILLAN: I would like to call
3 Case Number 15584, application of EOG Resources for a
4 472-acre nonstandard project area comprised of acreage
5 subject to a proposed communitization agreement, Lea
6 County, New Mexico.

7 Call for appearances.

8 MS. KESSLER: Mr. Examiner, Jordan Kessler,
9 from the Santa Fe office of Holland & Hart, on behalf of
10 the Applicant.

11 EXAMINER McMILLAN: Any other appearances?

12 MS. KESSLER: Two witnesses today,
13 Mr. Examiner.

14 EXAMINER McMILLAN: Will the witnesses
15 please stand up and be sworn in at this time?

16 (Mr. Boland and Ms. Storm sworn.)

17 MS. KESSLER: Mr. Examiner, I'd like to
18 call my first witness.

19 EXAMINER McMILLAN: Please proceed.

20 PAUL BOLAND,
21 after having been first duly sworn under oath, was
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. KESSLER:

25 Q. Mr. Boland, please state your name for the

1 record and tell the Examiners by whom you're employed
2 and in what capacity?

3 A. My name is Paul Boland with EOG Resources, and
4 I work in the Midland Division as a senior landman.

5 Q. Have you previously testified before the
6 Division?

7 A. Yes.

8 Q. Were your credentials as a petroleum landman
9 accepted and made a matter of record?

10 A. Yes.

11 Q. Are you familiar with the application in this
12 case?

13 A. Yes.

14 Q. Are you familiar with the status of the lands
15 in the subject application?

16 A. Yes.

17 MS. KESSLER: I would tender Mr. Boland as
18 an expert in petroleum land matters.

19 EXAMINER McMILLAN: So qualified.

20 Q. (BY MS. KESSLER) Mr. Boland, let's turn to
21 Exhibit 1. Can you please describe this exhibit and
22 tell us what EOG seeks under this application?

23 A. We're seeking approval of a nonstandard project
24 area comprised of 472.0 acres for the Wolfcamp
25 Formation. This project area is comprised of acreage in

1 Sections 36 and 25 of Township 26 South, 33 East. And
2 this exhibit shows the proposed outline of the
3 nonstandard project area in blue. And then in gray,
4 there are four wells, which are the wells that we're
5 proposing be committed to this nonstandard project area.

6 Q. Section 36 is an irregular section; is that
7 correct?

8 A. Yes.

9 Q. And it's along the state border of Texas?

10 A. Yes.

11 Q. And so this actually comprises the entire
12 Section 36 even though it just looks like the northwest
13 quarter, correct?

14 A. It actually comprises Lots 3 and 4 in the north
15 half of the northwest quarter of Section 36 only.

16 Q. And EOG is the only interest owner in the one
17 federal and one state lease covering this acreage; is
18 that correct?

19 A. Yes.

20 Q. EOG owns 100 percent of the working interest,
21 and there are no overriding royalty interests; is that
22 correct?

23 A. That's correct.

24 Q. This map shows that these four wells have been
25 drilled?

1 A. Yes, ma'am.

2 Q. What is Exhibit 2?

3 A. Exhibit 2 is a diagram showing, again, the
4 acreage involved in the nonstandard project area and the
5 proposed nonstandard project area, as well as the
6 location of a central tank battery that will be used to
7 service all four of these wells. The nonstandard
8 project area is shown in yellow. The state lease is
9 shown in red, and the federal lease is shown in gray.
10 And then the wells there are shown in gray as well.

11 Q. And this is EOG's development plan, correct?

12 A. Yes, for this part of the sections.

13 Q. And so it shows that these four wells have been
14 drilled. Have they been completed?

15 A. Yes. Actually, all four wells have been
16 drilled and completed, but none of them are producing at
17 this time.

18 Q. Does Exhibit 3 include the four C-102s for the
19 wells that have already been drilled in this acreage?

20 A. Yes, ma'am.

21 Q. And this identifies the Wolfcamp Pool and pool
22 code?

23 A. That's correct.

24 Q. Is this pool subject to statewide rules?

25 A. Yes.

1 Q. So there's 40-acre spacing, correct?

2 A. Yes, ma'am.

3 Q. Are the wells currently dedicated to the
4 spacing units that they penetrate?

5 A. Yes.

6 Q. But the APDs will be dedicated to the 472-acre
7 project area once this application has been approved; is
8 that correct?

9 A. Yes.

10 Q. And is that per the request of the State Land
11 Office?

12 A. That's correct.

13 Q. Are you requesting that since this acreage has
14 been fully developed, the nonstandard project area will
15 become immediately effective if this order is approved?

16 A. Yes.

17 Q. And, again, that's at the request of the State
18 Land Office, correct?

19 A. That's correct.

20 Q. And will that allow them to more easily process
21 the royalty and tax payments?

22 A. Yes.

23 Q. Is Exhibit 4 a copy of the com agreement, along
24 with the State Land Office approval letter?

25 A. Yes.

1 Q. Why has the EOG requested a -- nonproject area?

2 A. We're trying to limit the surface facilities in
3 this area.

4 Q. And this was done in consultation with the
5 State Land Office and the BLM, correct?

6 A. That is correct.

7 Q. Did EOG discuss with the State Land Office and
8 the BLM the creation of a single com agreement to
9 communitize all of its acreage?

10 A. Yes.

11 Q. And the COA [phonetic] has been approved by the
12 State Land Office?

13 A. Correct.

14 Q. What about the BLM?

15 A. We have discussed it with the BLM, and they
16 have given us written approval through email that they
17 wouldn't object to us proceeding with this. And we
18 filed the com with them, and it's awaiting their
19 approval.

20 Q. And you have indication that it will be
21 approved?

22 A. Yes.

23 Q. And just to reiterate, for administrative
24 purposes for the State Land Office, the wells need to be
25 dedicated to the entire 472-acre project area; is that

1 correct?

2 A. That is correct.

3 Q. And you mentioned that this particular Wolfcamp
4 Pool is 40-acre spacing?

5 A. Yes.

6 Q. Did EOG identify the affected parties in the
7 40-acre tract surrounding the proposed nonstandard
8 project area?

9 A. Yes, we did.

10 Q. And I understand that EOG is the operator of
11 those tracts; is that correct?

12 A. That is correct.

13 Q. Did you provide notice to the overriding
14 royalty interest owner in the offsetting tract?

15 A. Yes, we did.

16 Q. And is Exhibit 5 an affidavit prepared by my
17 office with a letter to that interest owner?

18 A. Yes.

19 Q. And it looks like it has not been returned, so
20 we've included the tracking information, and then also
21 Exhibit 6, which is publication -- an Affidavit of
22 Publication to that interest owner.

23 Were Exhibits 1 through 4 prepared by you
24 or compiled under your direction or supervision?

25 A. Yes.

1 MS. KESSLER: Mr. Examiner, I'd ask that
2 Exhibits 1 through 6, which includes my two affidavits,
3 be moved into the record.

4 EXAMINER McMILLAN: Exhibits 1 through 6
5 may now be accepted as part of the record.

6 (EOG Resources Exhibit Numbers 1 through 6
7 are offered and admitted into evidence.)

8 CROSS-EXAMINATION

9 BY EXAMINER McMILLAN:

10 Q. Okay. I didn't hear you clearly. You said the
11 State Land Office wants to approve the effective date
12 when?

13 A. The proposed effective date under the com
14 agreement, I believe, is August 8th. That was just, you
15 know, an arbitrary date we had picked, of 2016, of this
16 year. So I think the approval from them is effective
17 August 8th, 2016.

18 MS. KESSLER: Mr. Examiner, if I could
19 briefly clarify. In the past, the orders for
20 nonstandard project areas become effective upon approval
21 from the State Land Office, but since we've already
22 received approval from the State Land Office, we're just
23 requesting that it become immediately effective. So
24 it's not a question of backdating.

25 Q. (BY EXAMINER McMILLAN) So the west -- so the

1 west half is HBP by the wells in the Bone Spring?

2 A. That is correct, yes.

3 Q. Okay. And here's the -- okay. The 701H has
4 been drilled but not completed, right?

5 A. The 701H has been drilled and completed, but
6 it's not producing.

7 Q. Okay. And 704?

8 A. Is the same.

9 Q. Okay. But then if we -- this is the same
10 question I asked in the previous case. Why -- you know,
11 what's going to -- you know, if we approve this 472
12 acres, we want to make sure the acreage is fully
13 developed. I mean, the wells would be producing. Could
14 you provide timetable when you expect them to start
15 producing?

16 A. As soon as we see -- or as soon as we receive
17 the order for this case, we're ready to turn the wells
18 on.

19 MS. KESSLER: Mr. Examiner, we don't have
20 the necessary approvals so the wells aren't producing.
21 The minute we get that --

22 Q. (BY EXAMINER McMILLAN) So if we gave you a
23 one-year period --

24 A. Oh, yeah.

25 Q. -- would you be satisfied with that?

1 A. Yes. I think right now they are on our
2 flowback schedule for the beginning of December, but
3 that can be pushed, obviously, based on how long it
4 takes for us to get the order.

5 Q. Okay. So we could say -- you wouldn't object
6 if we say that all the acreage shall be fully developed
7 within one-year period of approval of this order? Would
8 you be satisfied with that?

9 A. Yes.

10 MS. KESSLER: Yes, Mr. Examiner. That
11 would be fine.

12 EXAMINER McMILLAN: All right. So all the
13 wells have been -- they just simply have not started
14 producing.

15 Go ahead with your questions.

16 CROSS-EXAMINATION

17 BY EXAMINER WADE:

18 Q. I mean, I just have a couple of questions
19 regarding the com agreement. It looks like it's on a
20 state-Fed fee form --

21 A. Yes, sir.

22 Q. -- but there is not fee.

23 A. That's correct. It's the form used for state
24 and federal even if there is no fee.

25 Q. They just use that?

1 A. Yes.

2 Q. And this form doesn't seem to have anything
3 where the BLM becomes signator.

4 A. That's correct. They will give us their
5 approval through a different method just like the State.
6 It's an approval letter.

7 Q. But you did get something like a preliminary
8 approval via e-mail?

9 A. Yes.

10 Q. Can we get a copy of that?

11 MS. KESSLER: Do you have a copy?

12 THE WITNESS: I do have it with me.

13 MS. KESSLER: We can enter that as an
14 exhibit.

15 EXAMINER WADE: So we can have it on
16 record.

17 MS. KESSLER: Do you want to get it?

18 THE WITNESS: Sure.

19 MS. KESSLER: I would ask that Exhibit 11
20 be entered into the record, and that reflects the
21 preliminary approval from the BLM.

22 EXAMINER McMILLAN: Okay. Exhibit 11 may
23 now be accepted as part of the record.

24 (EOG Resources Exhibit Number 11 is offered
25 and admitted into evidence.)

1 MS. KESSLER: May I proceed?

2 EXAMINER McMILLAN: Please.

3 LAUREN STORM,

4 after having been previously sworn under oath, was
5 questioned and testified as follows:

6 DIRECT EXAMINATION

7 BY MS. KESSLER:

8 Q. Please state your full name for the record, and
9 tell the Examiners by whom you're employed and in what
10 capacity.

11 A. My name is Lauren Storm. I am a geologist at
12 EOG Resources in our Midland Division.

13 Q. Have you previously testified before the
14 Division?

15 A. No.

16 Q. Can you please review your educational
17 background?

18 A. I got my bachelor of science from Kutztown
19 University of Pennsylvania in 2010, and I got my
20 master's of science at the University of Texas El Paso
21 in 2012.

22 Q. What is your work history?

23 A. I started in 2013 at EOG Resources in the
24 Midland Division, and I've been a geologist there for
25 three years.

1 Q. Have your responsibilities included the Permian
2 Basin during that time?

3 A. Yes. I started in the Midland Basin, and then
4 about two years ago, I moved over to the Delaware Basin.

5 Q. You've been a geologist in that Basin the past
6 two years?

7 A. Yes.

8 Q. Are you a member of any professional
9 associations?

10 A. Yes, AAPG and WTGS, which is West Texas
11 Geological Society.

12 Q. Are you familiar with the application filed in
13 this case?

14 A. Yes.

15 Q. Have you conducted a geologic study of the
16 areas that are the subject of this application?

17 A. Yes.

18 MS. KESSLER: I would tender Ms. Storm as
19 an expert petroleum geologist.

20 EXAMINER McMILLAN: So qualified.

21 Q. (BY MS. KESSLER) Let's look at Exhibit 7. Is
22 the second of the wells the Wolfcamp Formation?

23 A. Yes.

24 Q. And have you prepared a structure map and cross
25 section for the Examiners?

1 A. Yes.

2 Q. What is Exhibit 7?

3 A. Exhibit 7 is just a lease map of the interested
4 area, of the Endurance wells labeled here, the 701, 4, 5
5 and 6. And our EOG acreage is here shaded in yellow.

6 Q. Is Exhibit 8 a structure map of this area?

7 A. Yes.

8 Q. What do you see with respect to the structure
9 in the Wolfcamp?

10 A. So this is a structure map of the subsea values
11 for the top of the Wolfcamp Formation. And here the
12 contour intervals are 50 feet, so you can see a very
13 gradual dip here, getting slightly deeper towards the
14 east.

15 Q. Is Exhibit 9 a map of the same area with a line
16 of section depicted?

17 A. Correct.

18 Q. Did you use two wells for your next
19 cross-section exhibit?

20 A. Yes.

21 Q. Do you consider these wells to be
22 representative of the wells in the area?

23 A. Yes.

24 Q. Let's look at Exhibit 10. Can you please
25 identify this exhibit and walk us through it?

1 A. This is a cross section from A to A prime, what
2 we saw in the previous exhibit; A being the most-western
3 well and A prime the most-eastern well. Here, from left
4 to right, you have the gamma ray track, the resistivity
5 and then the neutron and density, porosity tracks.

6 The labels for the markers that we picked
7 did not show up, so the first label at the very top is
8 the top of the 3rd Bone Spring Sand. And then the base
9 marker is the top of the Wolfcamp. And what I want to
10 note here is that you can see the thickness of that 3rd
11 Bone Spring Sand being pretty continuous over this area.
12 And then the lateral interval for these wells which we
13 drilled is shown in the red bracket.

14 Q. And we're in the Wolfcamp, correct?

15 A. In the Wolfcamp, correct.

16 Q. Based on your geologic study of this area, have
17 you identified any impediments to drilling -- geologic
18 impediments to drilling a horizontal well?

19 A. No. These four wells, we did not see any
20 issues or geologic hazards as we drilled them.

21 Q. In your opinion, will the two leases comprising
22 the nonstandard project area contribute to production
23 for the wellbores in proportion to the acreage
24 contribution for each lease?

25 A. Yes.

1 Q. And in your opinion, will approval of this
2 application be in the best interest of conservation, for
3 the prevention of waste and the protection of
4 correlative rights?

5 A. Yes.

6 Q. Were Exhibits 7 through 10 prepared by you or
7 compiled under your direction and supervision?

8 A. Yes.

9 MS. KESSLER: Mr. Examiner, I'd move
10 admission of Exhibits 7 through 10.

11 EXAMINER McMILLAN: Exhibits 7 through 10
12 may now be accepted as part of the record.

13 (EOG Resources Exhibit Numbers 7 through 10
14 are offered and admitted into evidence.)

15 CROSS-EXAMINATION

16 BY EXAMINER McMILLAN:

17 Q. So you're saying -- of the wells will equally
18 contribute to the production?

19 A. Yes.

20 Q. Okay. I have kind of an oddball question for
21 you. Look at Exhibit 9.

22 A. Okay.

23 Q. If you go into Texas, do those arrows -- the
24 green arrows represent wells in, say, Section 2 and
25 Section 3?

1 A. Oh, yes. They're supposed to be little rigs --
2 drilling rigs. So those are wells -- proposed wells.

3 Q. And close can you get to the state line?

4 A. I'm not qualified to say that. I'm pretty sure
5 it's --

6 MS. KESSLER: Mr. Boland can tell you that.

7 THE WITNESS: It's pretty dang close. I
8 think, for Texas, your first -- first take point is 200
9 feet from any hard line. But as far as like where the
10 surface location can be --

11 Q. (BY EXAMINER McMILLAN) The surface locations
12 are irrelevant.

13 A. Yeah. Exactly.

14 Q. Okay. Well, I didn't know. I figured I'd just
15 try to look at that.

16 EXAMINER McMILLAN: Go ahead.

17 EXAMINER WADE: I don't have any questions.

18 EXAMINER McMILLAN: I don't have any more
19 questions.

20 Case Number 15584 shall be taken under
21 advisement.

22 (Case Number 15584 concludes, 10:27 a.m.)

23

24

25 STATE OF NEW MEXICO

1 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

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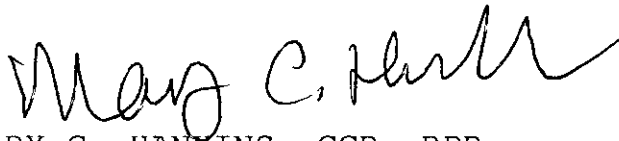
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I, MARY C. HANKINS, Certified Court Reporter, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

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.



MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2016
Paul Baca Professional Court Reporters