

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

Case No. 20923

**APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

Case No. 20924

**APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

Case No. 20925

**APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

**Case No. 20926
Order R-21308**

De Novo Case No. 21321

PRE-HEARING STATEMENT

This Pre-hearing Statement is submitted by and through its undersigned counsel, Ernest L. Padilla, PADILLA LAW FIRM, P.A., on behalf of EOG Resources, Inc., as required by the Oil Conservation Commission.

APPEARANCES OF PARTIES

APPLICANT

COG OPERATING LLC

ATTORNEY

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OPPOSITION OR OTHER PARTY

EOG Resources, Inc.

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STATEMENT OF CASE**APPLICANT****OPPOSITION OR OTHER PARTY*****A. Overview.***

In these cases, COG Operating LLC (“COG”) seeks to force pool EOG’s working interest and seeks to destroy EOG’s drilling plans for 43 wells on acreage where EOG owns and controls 100% of its proposed spacing units for its Igor and Double ABJ drilling prospects. COG seeks to acquire, at no expense, fifty percent of its West Mastiff spacing unit and one-fourth of its East Mastiff spacing unit through its application to force pool EOG’s interests without having any interest in the EOG acreage.

By its applications, COG contravenes the Division’s horizontal rules, which, at NMAC 19.15.16.15 (A)(a), requires the “consent of at least one working interest owner or unleased mineral interest owner of each tract ... in which any part of the horizontal oil or gas well’s completed interval will be located...” Here, COG has no interest in the EOG acreage and has no agreement with or support from any working interest owner therein.

It is unnecessary for EOG to bring its own compulsory pooling application against COG in order to fully develop the interests it owns or controls. Its acreage is 100% committed to an

existing Joint Operating Agreement as to its proposed Igor wells and is also 100% committed to a Joint Operating Agreement for its proposed Double ABJ wells.

B. The EOG Spacing Units.

The EOG spacing units are stand-alone units entirely owned or controlled by EOG.

These spacing units are:

- a. Igor Federal units for 2-mile lateral development of Bone Spring and Wolfcamp formations:
 - Legal Description—W/2 of Sections 28 and 33, T23S, R32E, NMPM, Lea County, New Mexico;
 - Ownership—70% EOG, 30% Oxy Y-1
Concho Resources (or COG Operating) – **0%**
 - Comprised of a single Federal Oil and Gas Lease—NMNM-77063
 - Subject to a Joint Operating Agreement dated as of January 1, 1987 and EOG as operator with renewed commitment from Oxy Y-1.
- b. Double ABJ units for 1.5-mile lateral development of Bone Spring and Wolfcamp formations:
 - Legal Description—E/2 of Section 16 and S/4 of Section 9, T24S, R32E, NMPM, Lea County, New Mexico;
 - Ownership—100% EOG in E/2 of Section 16; 75% EOG, 21% First Roswell Company and 4.0% Tom and Tim Jennings in SE/4 Section 9;
 - Concho Resources (or COG Operating)— **0%**
 - Comprised of a single Federal Oil and Gas Lease—NMNM-55953 (SE/4 of Section 9) and State Oil and Gas Lease VO-4095-5 (E/2 of Section 16);

- Subject to a Joint Operating Agreement dated effective September 1, 2020 between EOG as operator and Tom Jennings and First Roswell Company.

COG brought its applications for compulsory pooling under Part (A) (b) of the rule despite the existence of the JOA to which the Igor spacing unit is already committed. EOG also later obtained the signed JOA covering all of the Double ABJ spacing unit. EOG's development plans for its Igor and Double ABJ spacing units did not commence as a response to COG's applications. Rather, EOG had already made preparations for its plan of development as follows:

December 12, 2018 – Surveying of EOG Surface Location initiated.

August 7, 2019—Original proposals to working interest owners for the Igor prospect.

August 12, 2019—Proposal to working interest owner for the Double ABJ wells.

August 2019—Submission of APDs to BLM commenced.

The foregoing timeline will indicate that EOG had made plans ahead of COG's Mastiff applications. After its receipt of the applications, and in keeping with its plans to fully develop its own acreage, EOG notified COG of its intentions not to participate in the Mastiff well proposals.

C. The Impact of COG's Applications.

EOG's land Exhibits will clearly show that COG's applications will have a disastrous effect on EOG's development plans. The Igor spacing unit will be split in half, preventing EOG from exercising its rights to develop the acreage it lawfully controls and in which COG owns no interest. The Double ABJ spacing unit will be cut by one-third, further preventing EOG from exercising its lawful rights to develop its own acreage.

The most glaring aspect of the COG applications is that COG has absolutely no interest in the EOG spacing units.

D. Geological and Reservoir Quality Considerations.

The geological analysis that will be made by EOG through Denton O’Neal, its expert geologist, that there no geological impediments to drilling in the area. More importantly, there is no reason why COG cannot continue to drill its wells in Section 4 as one-mile laterals.

The presence of COG’s pre-existing one-mile lateral Mastiff Fed 3H, affects the reservoir quality of their proposed two-mile pooling unit. This well, with the surface location in the NE/4NW/4 of Section 4 was completed in May of 2016 and, the effect of which, will be that COG will commit significantly depleted acreage as to that producing interval. Effectively, within the COG proposed spacing unit, COG seeks to contribute acreage with drawn-down pressure while EOG would be forced to contribute acreage with virgin pressure. EOG will show, through the testimony of its reservoir engineer, a significant depletion across the center of Section 4. The forced combination of COG’s depleted acreage with EOG’s virgin acreage will result in an inequitable balancing of the parties’ correlative rights.

E. EOG’s Analysis of Correlative Rights and Waste.

EOG will present a comprehensive analysis of how COG’s drilling plans would affect EOG’s correlative rights, i.e., EOG’s opportunity to recover its and its co-interest owners’ fair share of oil and gas production from its proposed spacing units. Of equal and critical import, the analysis will show that if COG’s applications are approved, oil and gas reserves in all of the target intervals will be left in the ground and not recovered—thereby causing waste in both the Igor and Double ABJ units.

The reservoir analysis will show that if COG’s applications are approved by the Commission impairment to working interests and royalty owners will be substantial. EOG’s estimated conclusion for both the Igor and Double ABJ losses will be:

Lost Discounted Net Present Value to Working Interest Owners--\$199,330,00

Unrecovered Barrel of Oil Equivalents—15,500,000 BOE

These figures were derived through an economic comparison of COG and EOG operated wells.

F. Conclusion.

By filing these applications, COG is exploiting the use of compulsory pooling in an attempt to improve its current acreage position to the detriment of the force pooled parties. By contrast, EOG's development plan has the full support of all interest owners, and the only hindrances to EOG executing these plans are COG's pooling applications at issue here and its protest of EOG's pending Igor and Double ABJ APDs with the BLM. EOG's development plan will maximize production without impairing COG's correlative rights, and at lower costs. COG's development plan does the exact opposite by impairing the correlative rights of all the force pooled parties, recovering less oil and gas from the force pooled acreage, and doing so at a much higher cost than if EOG is allowed to develop its own interests. COG can continue to drill one-mile laterals in the W/2 of Section 4 as it has already done. It can also drill 1.5 mile laterals in the E/2 of Section 4 and the NE/4 of Section 9 without interfering with EOG's planned developments.

The COG applications should be denied.

PROPOSED EVIDENCE

APPLICANT:

WITNESS

EST. TIME

EXHIBITS

OPPOSITION:

WITNESS

EST. TIME

EXHIBITS

Chloe Sawtelle, Landman	40 minutes	12
Carlos Sonka, Reservoir Engineer	40 minutes	1 with 50 slides
Denton O'Neal, Geologist	20 minutes	6

PROCEDURAL MATTERS

EOG asks the Commission to take administrative notice of the exhibits and transcript of the Division hearing in these matters, and of the Commission's Order No. R- 21416-A issued in Cases Nos. 21273 and 21274, Application of Marathon Oil Permian LLC for Compulsory Pooling, Eddy County, New Mexico.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the forgoing was served to counsel of record by electronic mail this 28th day of October, 2020 as follows:

Ocean Munds-Dry	omundsdry@concho.com
Michael Rodriguez	mrodriguez@concho.com

/s/ Ernest L. Padilla

Ernest L. Padilla