

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

APPLICATION OF EOG RESOURCES, INC.,	§	
KLOTZMAN LEASE (ALLOCATION) WELL	§	
NO. 1H, (STATUS NO. 744730),	§	
EAGLEVILLE (EAGLE FORD - 2) FIELD,	§	OIL AND GAS DOCKET
DEWITT COUNTY, TEXAS AS AN	§	NO. 02-0278952
ALLOCATION WELL DRILLED ON	§	
ACREAGE ASSIGNED FROM TWO LEASES	§	

EOG RESOURCES, INC.'S EXCEPTIONS TO THE PROPOSAL FOR DECISION

TO: THE HONORABLE RAILROAD COMMISSION OF TEXAS:

COMES NOW EOG Resources, Inc. ("EOG"), the Applicant in this case, and files this, its Exceptions to the Proposal for Decision ("PFD"). In support of its position that the PFD should be overruled and EOG's requested allocation well permit issued, EOG would show the following:

I. Introduction

In this docket, the Commission's three (3) year old practice of issuing permits for horizontal "allocation" wells has been challenged by two royalty interest owners in a contested case hearing.¹ The Examiners recommend dismissal of EOG's permit application for the Klotzman Lease (Allocation) Well No. 1H, by concluding that "there is no Texas statute, Commission Statewide Rule, or Commission Final Order authorizing the permitting of 'allocation' wells." (Finding of Fact 10). The PFD, if adopted, will end the well reasoned and established practice of allocation well permitting. The proposal is wrong as a matter of law, will cause waste of substantial oil and gas reserves, and is harmful to the oil and gas industry of Texas. The Commission has issued over 100 allocation well permits since the initial permit was

¹ An "allocation well" is a well drilled across two (2) or more leases and/or pooled units with no pooling and no agreement among the owners therein as to how production or the proceeds of production are to be allocated or shared.

granted to Devon Energy in April of 2010.² The Examiners' PFD exceeds the Railroad Commission's jurisdiction by seeking to decide title issues in private lease contracts and interjects the Commission into a private contractual dispute between EOG and its lessors. The only proper issue for consideration in this case is whether or not EOG has a good faith claim to title to drill its well. This fact is not disputed by anyone. All parties agree that EOG holds valid leases covering 100% of the mineral estate. The PFD goes beyond EOG's undisputed title and ventures into the issue of whether or not EOG possesses pooling authority in its lease contracts based on the faulty premise that using acreage from separate leases to form a drilling unit is "pooling." The Examiners erroneously conclude in this case that utilizing acreage from separate leases to comprise an 80 acre drilling unit is "the very definition of pooling." (Finding of Fact 13). The PFD should be reversed based on EOG's demonstrated good faith claim and the permit should be issued.

II. The Good Faith Claim of Ownership Standard

All parties and the Examiners agree that this case turns on a single issue: Does EOG have a 'good faith claim' to drill the Klotzman (Allocation) Well No. 1H ("EOG Well") on an 80 acre drilling unit composed of 40 acres taken from the Georgia Dubose – Glassell 516.569 acre lease and 40 acres from the Georgia Dubose – Pierce 304.97 acre lease?

As the Supreme Court of Texas has held:

The function of the Railroad Commission in this connection is to administer the conservation laws. When it grants a permit to drill a well it does not undertake to adjudicate title or rights of possession. These questions must be settled in the courts. When the permit is granted, the permittee may still have no such title as will authorize him to drill on the land.

Magnolia Petroleum v. Railroad Commission, 170 S.W.2d 189 (Tex. 1943). The Texas Supreme Court went on to hold:

² At least 53 such permits have been issued between the December 3, 2012 hearing and July 16, 2013, as shown on the attached printout. Of the 53 permits, 32 are new wells and 21 are amendments to existing permits. (Source: <http://www.rrc.state.tx.us/>). The Examiners' PFD states that 55 had been issued as of the December 3, 2012 hearing, for a total of 108.

If the applicant makes a reasonably satisfactory showing of good faith claim of ownership in the property, the mere fact that another in good faith disputes his title is not alone sufficient to defeat his right to the permit; neither is it ground for suspending the permit or abating the statutory appeal pending settlement of the title controversy.

Id. at 191 (emphasis added).

A permit granted by the Commission merely removes the government imposed barrier to the particular activity requiring a permit. *FPL v. Environmental Processing Systems*, 351 S.W. 3d 306, 310 (Tex. 2011). It grants no affirmative rights to the permittee. *Id.*

It is undisputed in this case that EOG possesses valid and subsisting leases covering 100% of the mineral estate in all of the acreage involved in this application. An oil and gas lease in Texas confers to the lessee a determinable fee interest in the mineral estate. *Natural Gas Pipeline Co. of America v. Pool*, 124 S.W.3d 188, 192 (Tex. 2003). EOG's right to develop the mineral estate includes "the right to drill, explore, and produce from the land." *BP Am. Prod. Co. v. Marshall*, 342 S.W.3d 59, 70 (Tex. 2011). These rights are expressly set out in EOG's leases which specifically grant, lease and let to the lessee: "The land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals . . ." (See, EOG Exhibits 9 and 10; language from 304.97 acre lease).

These uncontroverted facts are the only relevant facts needed for the Commission to decide this case and to grant the EOG permit. An oil and gas lease confers the right to drill wells anywhere on the lands covered by the lease to its lessee in compliance with the Commission's spacing rules and Rule 37 exception procedures. For example, it could not be disputed that EOG could permit and drill two (2) vertical wells, one (1) on each of the two (2) leases involved in this case, one (1) foot on either side of the common boundary line and waive its own Rule 37 exception as to each well. Here, rather than drilling multiple vertical wells, EOG seeks to drill a single horizontal wellbore that crosses both leases. As the Austin Court of

Appeals has held, each tract traversed by a horizontal well is a drillsite tract and each production point is a drillsite. *Browning Oil Co., Inc. v. Leucke*, 38 S.W.3d 625, 634 (Tex. App. – Austin 2000, pet denied).

Despite EOG's undisputed title to the mineral estate, the Examiners go far beyond a good faith claim to title inquiry and add the additional requirement that EOG can only drill across its common lease boundary if it has pooling authority. They purport to justify this requirement by reaching the erroneous legal conclusion that the mere drilling of an allocation well is "pooling." It is not.

III. Railroad Commission Jurisdiction Does Not Extend to Title Disputes or Contract Disputes

The Railroad Commission has broad jurisdiction to enforce the conservation laws. For example, in Section 81.051(a) of the Texas Natural Resources Code, the Commission has jurisdiction over "all oil and gas wells in Texas" and "all persons owning or engaged in drilling or operating oil or gas wells in Texas." Historically, the constitutional and statutory grants of power to the Railroad Commission have rested on the prevention of waste and the protection of correlative rights. *Texaco, Inc. v. Railroad Comm'n*, 583 S.W.2d 307, 310 (Tex. 1979). It also has jurisdiction conferred by § 81.052 to adopt rules for regulating persons subject to its jurisdiction. Pursuant to this authority, it has adopted Statewide Rule 5, authorizing the grant of drilling permits, along with the spacing and density rules which also govern drilling permits. The Commission has no jurisdiction, however, over title to real property or private contractual disputes. See, e.g., *Ryan Consolidated Petroleum Corp. v. Pickens*, 285 S.W.2d 201, 207 (Tex. 1955) "(the Commission has not been given the power to determine property rights as between litigants)." The PFD seeks to determine disputed property rights by erroneously concluding that EOG's leases do not give EOG the right to drill the proposed well.

IV. Forming Drilling Units for Allocation Wells is Not Pooling

On the merits of the pooling issue, the Examiners are grossly incorrect under Texas law. The mere assignment of acreage from separately owned leases to a drilling unit for the purposes of drilling an allocation well is not "pooling." The Texas case of *Browning v. Leucke*, directly addresses this issue. The *Browning* case involved horizontal wells drilled across separate leases where the lessee did not have the authority under its leases to form the pooled units it sought to form. Although the phrase is not used in the opinion, the case essentially involved "allocation wells." The Court of Appeals stated:

Although pooled units are often formed to satisfy spacing requirements, the grant of a permit to drill a well does not result in the valid pooling of the separately owned interests within the drilling unit. Similarly, the designation of a proration unit does not have the effect of creating a pooled unit.

Browning, Fn. 7 at 634. (Emphasis added).

Respected legal scholars, Smith & Weaver, agree with this holding:

The designation to the Railroad Commission of drilling units, proration units, and pooled units on the required forms does not affect title to the tracts or proceeds. The Railroad Commission has no authority over title or contract issues.

Smith & Weaver, §10.1(B).

The Examiners' conclusion that allocation wells result in pooling conveniently ignores many of the essential elements of pooling. For example, pooling clauses typically provide for a method of allocating production between the tracts pooled within the unit. *Smith & Weaver* § 11.1(B). Texas cases have held that pooling also accomplishes a cross-conveyance of mineral interests between the unit tracts. *Montgomery v. Rittersbacher*, 424 S.W.2d 210, 213 (Tex. 1968). A cross conveyance of interests would result in the ownership of production shared proportionately throughout the pooled area. That is not what will occur in this case. As the Austin Court of Appeals held in *Browning*, the lessors of each tract traversed by a horizontal well are entitled only to royalty on production from their own tracts. The *Browning* court held:

We decline to apply legal principles appropriate to vertical wells that are so blatantly inappropriate to horizontal wells and would discourage the use of this promising technology. The better remedy is to allow the affected lessors to recover royalties as specified in the lease, compelling a determination of what production can be attributed to their tracts, with reasonable probability.

Browning, at 647.

Another important characteristic of pooling is the fact that production or operations anywhere on a pooled unit are considered as if they have taken place on each tract comprising the unit. *Smith & Weaver*, § 4.8.

The primary legal consequence of pooling is that production and operations anywhere on the pooled unit are treated as if they have taken place on each tract within the unit.

Southeast Pipeline Co. v. Tichacek, 997 S.W.2d 166, 170 (Tex. 1999). Nothing in EOG's allocation permit would accomplish that result.

V. TXOGA and Legal Authorities Agree this is Not Pooling

The Protestants (the Reillys and Klotzmans) among others previously filed a petition to initiate a rulemaking proceeding at the Railroad Commission on November 30, 2012 which sought to end the issuance of allocation permits by requiring a production sharing agreement. In opposing that petition, the Texas Oil & Gas Association (TXOGA) filed a January 18, 2013 letter (copy attached) accurately distinguishing "pooling" from allocation wells as follows:

The hallmarks of pooling authority (such as cross conveyance of interest, sharing of production, lease maintenance, and discharge of lease covenants based on pooled unit operations) are all independent of the right to drill across a leasehold that is granted by a permit. There is no pooling or forced pooling with an allocation or PSA well because each leasehold remains legally independent of any other acreage and continues to stand alone with regard to all the rights of all the leasehold owners. These wells do not result in pooling or forced pooling of any acreage because each leasehold drilled by an allocation or PSA well participates only in production from its tract and does not participate in production from any other tract (as would be the case if there were pooling or forced pooling).

The Examiners have incorrectly found in this case that "regardless of how it is denominated, combining a 40 acre tract from the Georgia Dubose – Glassell 516.569 acre

lease with a 40 acre tract from the Georgia Dubose – Pierce 304.97 acre lease to form an 80 acre drilling unit for the purpose of drilling a well would be pooling the tracts.” (Finding of Fact 12). As support for this erroneous finding, the Examiners cite very abbreviated excerpts from several treatises purporting to define “pooling.” For example, at Finding of Fact 12(b) the Examiners quote selected phrases from *Bruce M. Kramer and Patrick H. Martin, The Law of Pooling and Unitization*, § 1.02, that “pooling or a pooled unit, will describe the joining together of small tracts or portions of tracts for the purpose of having sufficient acreage to receive a well drilling permit under the relevant state or local spacing laws and regulations . . .” However, the ellipse at the end of the Examiners’ quote omits a critical portion of the author’s definition of pooling which makes the quote extremely misleading and incomplete. The complete definition from the treatise goes on to state “and for the purpose of sharing production by interest owners in such a pooled unit.” Nothing in the EOG permit application for the Klotzman well will result in a method sharing of production from a pooled unit. Each owner will be paid for its share of minerals produced from the tract in which it owns minerals and not from any other acreage.

Similarly, the Examiners extract from § 4.8 of *Smith & Weaver’s Texas Law of Oil and Gas* the statement that “pooling occurs when tracts from two (2) or more leases are combined for the purpose of drilling a single well.” The Examiners fail to cite, however, to the same authors’ conclusions in that treatise that (1) an important feature of pooling is to establish a method, or means, by which tracts pooled will share in production (*Smith & Weaver*, §11.1(B)), (2) that the principle effect of pooling is that production operations anywhere on the unit are treated as if they take place on each tract within the unit, (*Smith & Weaver*, §4.8), and (3) that inclusion of acreage in drilling and proration units does not accomplish pooling (*Smith & Weaver*, §10.1(B)).

The concept of “pooling” and its legal effect has been the subject of much case law and legal writing. A review of Texas law on pooling reveals that simply assigning acreage to a drilling unit for an allocation well, and removing the regulatory bar of a permit is not “pooling” as that term is commonly understood in the industry or recognized by Texas law.

VI. There is a Firmly Established Railroad Commission Precedent for Allocation Wells

The first allocation permit was issued by the Commission to Devon in April 2010. On April 21, 2010, Mr. Colin Lineberry, the Director of the Hearings Section, wrote to Devon’s counsel to advise that it would be issued a permit for the first allocation well, the Taylor – Abney – O’Banyon (Allocation) Unit in the Carthage (Haynesville Shale) Field, Harrison County, Texas. As Mr. Lineberry’s letter states:

I have reviewed the referenced W-1 and based on information submitted and particularly the representation by Applicant that it holds leases covering 100% of each tract traversed by the wellbore, and that there are no unleased interests within 330 feet of any point on the wellbore, it appears that Applicant has met the minimal good faith claim standard necessary for issuance of a permit. (Emphasis added).

The Lineberry letter correctly states the proper inquiry into an applicant’s good faith claim. Since that initial Devon permit, the Commission staff has issued over 100 allocation permits based upon this same inquiry, *i.e.*, does the applicant holds leases covering 100% of each tract traversed by the wellbore with no unleased interest within 330 feet (or applicable spacing rule) of any point on the wellbore. EOG has met that standard in this case. Mr. Lineberry’s letter went on to advise:

The Commission expresses no opinion as to whether the leases alone confer the right drill across lease lines as contended by Applicant or whether a pooling agreement or production sharing agreement is also required. However, until that issue is directly addressed and ruled upon by a Texas court of competent jurisdiction, it appears that a 100% interest in each of the leases is a sufficient colorable claim to the right to drill a horizontal well as proposed to authorize the removal of the regulatory bar and the issuance of a drilling permit by the Commission, assuming the proposed well is in compliance with all other relevant Commission requirements.

Mr. Lineberry was correct to advise that “the Commission expresses no opinion” on these matters because ruling on these matters would exceed the Commission’s jurisdiction. Moreover, no “Texas court of competent jurisdiction” has addressed or ruled upon these issues to date. What has happened since April of 2010 is that the Commission continues to issue these permits at an accelerated pace.³ The Railroad Commission staff held a public seminar on April 2 – 3, 2013, presented by Mr. Lorenzo Garza, the Program Manager for Drilling Permits, including a PowerPoint⁴ presentation explaining to the industry exactly how allocation wells should be permitted. The very title of the PowerPoint presentation, taken from the Commission’s website is “Drilling Permits and Online Filing – Advanced Topics to be Discussed: Stacked Laterals, Allocation and PSA Wells, and SWR Exceptions.” (Emphasis added). Reproduced below is screenshot from that PowerPoint describing the Commission staff’s explanation of what “allocation” well permits accomplish.


Drilling Permits and Online Filing - Advanced

What filing an “Allocation” well permit allows you to do.

On tracts that you have a valid lease in place an “Allocation” well permit will allow you to get a drilling permit application without the qualifier that you have to provide for a “PSA” well that 65% of both mineral and working interest owners have signed an agreement as to how production proceeds will be divided.

What it doesn’t allow you to do is incorporate tracts into your “Allocation” unit that the wellbore does not traverse.

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³ See Footnote 2.

⁴ <http://www.rrc.state.tx.us/>

Significantly, neither the Lineberry letter, Mr. Garza's tutorial on allocation well permits, nor any of the disclaimers made by the Commission on the allocation permits issued to date, mention any requirement that the lessee must possess pooling authority for the tracts comprising an allocation unit to be issued an allocation permit. The Examiners attempt in the PFD to distinguish the original Devon allocation permit from this application on grounds that Devon was allocating acreage taken from three existing pooled gas units to form its allocation unit – hence they conclude the leases must have contained some pooling authority. This attempted distinction is untenable. The fact that Devon or any other applicant for an allocation permit may have previously pooled some of the acreage comprising portions of an allocation unit together does not mean that they possessed authority to pool the actual acreage comprising the allocation unit on which the well was being drilled. Indeed, if these allocation well permit applicants possessed pooling for the wells they wanted to drill, they would have permitted such wells on pooled units and not as allocation wells! In a letter from Professor Ernest Smith, submitted to the Commission by Devon in support of its 2010 application, the Professor advises the Commission that:

Devon obviously has no more right to form a new pooled unit that includes all three existing units but exceeds the 640 (or 704) acre limit imposed by the leases than the defendant in *Browning v. Leucke* had to form a unit. . . .

(See Devon Closing Statement, Attachment 2).

It is the very essence of allocation permits that the applicants are requesting approval from the Commission to allocate acreage to a drilling unit that is not pooled and most often (if not always) cannot be pooled under existing pooling authority for various reasons.

At Page 22 of the PFD, the Examiners quote from EOG's permit application wherein it states:

EOG has all necessary real property and contractual rights to drill and produce the applied for well and the legal right to develop and produce the minerals under all the acreage assigned to the well.

Based on the erroneous conclusion that allocation wells result in pooling, the Examiners conclude that EOG's representation in its application "has been shown to be false." EOG respectfully disagrees with the Examiners,' both on the ground that it is beyond the Commission's jurisdiction to intervene in a private, contractual dispute, and because the result of the Examiners' intervention into this area is a flagrantly incorrect conclusion as to pooling.

VII. EOG Negotiated in Good Faith With its Lessors

The Examiners have gone so far with the PFD as to accuse EOG of failure to negotiate in good faith with its lessors. Incredibly, the Examiners state:

There is a third choice which EOG has worked hard to ignore and avoid: Negotiation in good faith with the lessors for their retained property interest, which is pooling authority for oil. . . . if EOG chooses not to negotiate to obtain a property right it does not have, it cannot obtain relief at the Commission by asking the Commission to do what it has no authority to do, that is, transfer the same property right from Lessor to Lessee. (Emphasis added).

The PFD ignores the record evidence by falsely accusing EOG of failure to negotiate with a protestant in good faith.

Aside from the mistaken legal analysis as to the pooling effects of "allocation" wells, the Examiners have stepped far out of bounds of proper Commission jurisdiction by taking sides in a private, contractual dispute. The Examiners have also ignored extensive evidence in the record of EOG's attempts to negotiate in good faith to resolve these issues with its lessors. Testimony from EOG's land advisor, Mr. Richard Ryan, proves that he had "a number of negotiations" with the lessors. Page 110, Lines 10 – 14 and Page 111, Lines 3 – 10. He explained that the Klotzmans demanded a larger royalty (EOG's royalty burden to lessors and overriding royalty owners is already 25%) and later sought drilling commitments.

Although the parties were unable to reach agreement, Mr. Ryan explained that from EOG's perspective, negotiations haven't stopped. Page 111, Line 19 – Page 112, Line 2.

The Examiners simply ignore the record evidence that the parties conducted an unsuccessful arms-length negotiation of their disputes and for reasons with no foundation in the record accuse EOG of lack of good faith. It is not a proper role of the Commission to allow itself to be used as a forum for private parties to seek leverage in a private, contractual dispute.

VIII. Allocation Permits Prevent Waste of Substantial Hydrocarbons

The primary duty of the Railroad Commission is to prevent waste of the State's oil and gas resources. The ability of operators to use the allocation well process is crucial to locate horizontal wells in a manner that will maximize recovery. EOG demonstrated that by drilling allocation wells on the Klotzman leases, it could drill 48,883 feet of additional treatable lateral, the equivalent of 10 – 11 additional horizontal wells on Klotzman family leases. (EOG Ex. 19). This will result in over five million BOE additional recovery from the Klotzman acreage alone. Industry wide, the benefits of allocation well drilling will be multiplied many times over. The PFD is not limited to the EOG application and would have statewide impact on all operators' ability to permit and drill horizontal wells. Denial of allocation permits would result in waste as defined by § 85.046(a)(6) by spacing or locating wells in a manner that reduces the total ultimate recovery of oil.

IX. The Lessors' Interests are Protected

The Railroad Commission properly regulates oil and gas to protect correlative rights from the Rule of Capture, while avoiding adjudication of private contracts. Correlative rights are not at issue when the dispute is between lessors and lessees in a lease as to the respective rights, duties, and/or limitations in the lease contract. These types of disputes are for the courts if the parties are unable to resolve them. One example, cited previously, is where a lessee drills a vertical well in close proximity to the boundary between two (2) of its leases, waiving its Rule 37 exception. The lessee would have the absolute right to drill that well under its lease having fully complied with the spacing rules by obtaining a Rule 37 exception with

waivers. If the lessor/royalty owner believes it is harmed, its remedy is to pursue a cause of action under the lease in the courthouse just as to the lessors did in *Browning*. The fact that the Commission has simply removed the regulatory bar by issuing the drilling permit does not diminish any party's rights and remedies under its lease contract.

X. Exceptions

Premises considered, EOG excepts to the following Findings of Fact and Conclusions of law:

1. EOG excepts to proposed Finding of Fact 9 that states:

EOG's application for the Klotzman (Allocation) Well No. 1H does not fall within the minimal good faith claim standard of the Lineberry letter of April 21, 2010 as the EOG leases do not contain pooling authority for oil.

The Lineberry letter includes no requirement for an allocation permit applicant to possess pooling authority. Pooling authority is not germane to allocation permits because it is beyond the Commission's jurisdiction, and what EOG requests in this application is not pooling.

2. EOG excepts to proposed Finding of Fact 10 that states:

There is no Texas statute, Commission statewide rule or Commission final order authorizing the permitting of "allocation wells."

- a. There is no Commission form on which to apply for "allocation" well permits.
- b. All applications for "allocation" wells have been filed on a Form PSA-12, a form adopted by the Commission effective September 2011, which is intended for Production Sharing Well Permits.

The Commission has broad statutory authority to issue drilling permits including TNRC § 81.051(a). It has adopted Statewide Rule 5 that requires all drilling permits to be issued under the provisions of Rules 37, 38, 39, and/or 40 and special rules applicable to each field. These same statutes and rules authorize the Commission to issue allocation well permits

in the same manner as PSA permits, and the same Form PSA-12 has been utilized by the Commission staff for both types.

3. EOG excepts to Finding of Fact 12 (finding that combining these two leases together to form a drilling unit “would be pooling the tracts” and Finding of Fact 13 (finding that combining portions of the two leases into a drilling unit is “the very definition of pooling”).

These findings are factually and legally incorrect, irrelevant, and exceed the Commission’s jurisdiction in this case which is limited to determining whether EOG possesses a good faith claim of ownership to its leases. EOG’s title is undisputed. The findings also are erroneous statements of the legal effect of permitting and drilling an allocation well. No pooling occurs because no mineral owners receive production from any tract other than their own tract, operations on other tracts have no impact on each lessor’s lease, no cross conveyance or contractual sharing of interest occurs. Allocation permits merely authorize operators to drill wells they have the right to drill on their leases and in accordance with the Commission’s spacing rules and Rule 37 exception procedures.

4. EOG excepts to Finding of Fact 8 which seeks to limit the significance of the April 21, 2010 Lineberry letter to “the grant of a specific well permit” and to distinguish that permit on grounds that the Devon permit “concerned three existing pooled units”:

The Lineberry letter has been followed by the Commission staff in issuing over 100 additional allocation permits. Neither Devon, nor any of the other applicants for allocation permits, was required to demonstrate pooling authority for the acreage comprising the allocation well drilling unit. The Examiners’ attempt now to distinguish the Devon permit on the grounds that it involved pooled units instead of leases is misplaced. Devon never represented that it could pool the acreage together to form a drilling unit but, instead represented that the acreage had already been pooled into existing units that precluded the formation of a pooled unit for the acreage comprising the allocation unit. The Examiners

proposed findings in this case that formation of an allocation unit is "pooling" would mean that Devon had "pooled" its allocation unit together for its well, a fact which Devon clearly advised Mr. Lineberry that it was not able to do. The Lineberry letter is precedent for the good faith claim to title standard (*i.e.*, 100% leasehold ownership with no unleased interests within 330' of the well and waivers to Rule 37) and has been routinely followed for over 3 years by Commission staff.

6. EOG excepts to Finding of Fact 5 (finding that a lack of pooling authority precludes EOG from having "all necessary real property and contractual rights to drill and produce the applied for well and the legal right to develop and produce the minerals under all acreage assigned to the well") and Conclusion of Law 5 (which concludes that "EOG does not have a good faith claim to drill its proposed Klotzman (Allocation) Well No. 1H.")

EOG's title has never been disputed. Its leases give EOG not only a good faith claim, but the unequivocal right to drill the proposed well. EOG's pooling authority is a private contractual matter and is beyond the Commission's jurisdiction.

7. EOG excepts to the Conclusion of Law 6 (that "EOG's application . . . should be dismissed").

EOG has met all requirements for a drilling permit for this well, and it should be granted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served on all counsel of record, in the manner indicated below on the 17th day of July, 2013.

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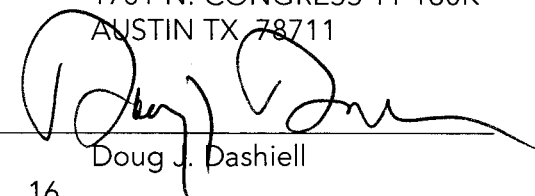
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Drilling Permits (W-1)

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1 - 20 of 53 results

Wellbore Profile: Horizontal
Horizontal Wellbore Type: Allocation
Application Status: Approved
Final Approval Date 12/04/2012 to 07/16/2013

Click on lease name for detailed permit information

Status Date	Status #	API No.	Operator Name/Number	Lease Name	Well #	Dist.	County	Wellbore Profile	Filing Purpose	Amend	Total Depth	Current Queue
Approved 04/17/2013 Submitted 04/10/2013	753579	121-34344	DEVON ENERGY PRODUCTION CO, L.P. (216378)	NOBLES-HOLLEY (ALLOC)	7H	09	DENTON	Horizontal	New Drill	Yes	9000	Approved
Approved 04/18/2013 Submitted 04/15/2013	760681	313-30990	CRIMSON EXPLORATION OPER., INC. (190005)	GRACE HALL C (ALLOCATION) UNIT	1H	03	MADISON	Horizontal	New Drill	-	8700	Approved
Approved 04/19/2013 Submitted 04/15/2013	754312	497-37628	DEVON ENERGY PRODUCTION CO, L.P. (216378)	WATERS (ALLOCATION)	1H	09	WISE	Horizontal	New Drill	Yes	9000	Approved
Approved 04/22/2013 Submitted 04/16/2013	760855	497-37669	DEVON ENERGY PRODUCTION CO, L.P. (216378)	L. B. WILSON (AW)	1H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 04/22/2013 Submitted 04/16/2013	760881	497-37670	DEVON ENERGY PRODUCTION CO, L.P. (216378)	NAUGLE (AW)	1H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 04/22/2013 Submitted 04/17/2013	760964	497-37672	DEVON ENERGY PRODUCTION CO, L.P. (216378)	NAUGLE (AW)	2H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 04/23/2013 Submitted 04/18/2013	761034	173-35765	LAREDO PETROLEUM, INC. (486610)	GLASS-GLASS 10 (ALLOC)	153H	08	GLASSCOCK	Horizontal	New Drill	-	10000	Approved
Approved 04/29/2013 Submitted 04/23/2013	761362	211-35180	DEVON ENERGY PRODUCTION CO, L.P. (216378)	YOUNG 66 (ALLOCATION)	1H	10	HEMPHILL	Horizontal	New Drill	-	10800	Approved
Approved 04/30/2013 Submitted 04/23/2013	761303	041-32143	WOODBINE ACQUISITION LLC (937857)	MAKO (ALLOCATION)	1H	03	BRAZOS	Horizontal	New Drill	-	15487	Approved
Approved 05/02/2013 Submitted 04/25/2013	761507	365-38034	WILDHORSE RESOURCES, LLC (923451)	RITTER-DANIEL (ALLOCATION) UNIT	1H	06	PANOLA	Horizontal	New Drill	-	10000	Approved
Approved 05/03/2013 Submitted 04/30/2013	736515	507-32888	HUGHES, DAN A. COMPANY, L.P. (411736)	HEITZ 302	3H	01	ZAVALA	Horizontal	New Drill	Yes	12500	Approved
Approved 05/07/2013 Submitted 04/24/2013	761389	383-38300	LAREDO PETROLEUM - DALLAS, INC. (486615)	SUGG B131-HOLT E (ALLOC)	1HU	7C	REAGAN	Horizontal	New Drill	-	9000	Approved
Approved 05/08/2013 Submitted	762007	173-35832	LAREDO PETROLEUM - DALLAS, INC.	BARBEE C-BARBEE B	12HU	08	GLASSCOCK	Horizontal	New Drill	-	9000	Approved

05/03/2013			(486615)	(ALLOC)								
Approved 05/13/2013 Submitted 05/09/2013	762308	497- 37683	DEVON ENERGY PRODUCTION CO., L.P. (216378)	<u>T. F. PETTY</u> (AW)	1H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 05/16/2013 Submitted 05/13/2013	762020	041- 32149	HALCON OPERATING CO., INC. (344412)	<u>HAWK- FALCON</u>	2H	03	BRAZOS	Horizontal	New Drill	Yes	9000	Approved
Approved 05/16/2013 Submitted 05/13/2013	762023	041- 32148	HALCON OPERATING CO., INC. (344412)	<u>HAWK- FALCON</u>	3H	03	BRAZOS	Horizontal	New Drill	Yes	9000	Approved
Approved 05/16/2013 Submitted 05/13/2013	762588	041- 32153	HALCON OPERATING CO., INC. (344412)	<u>HAWK- FALCON</u>	4H	03	BRAZOS	Horizontal	New Drill	-	9000	Approved
Approved 05/16/2013 Submitted 05/09/2013	762309	497- 37684	DEVON ENERGY PRODUCTION CO., L.P. (216378)	<u>T. F. PETTY</u> (AW)	2H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 05/17/2013 Submitted 05/15/2013	762699	289- 32092	HALCON OPERATING CO., INC. (344412)	<u>TOWNSELL A</u>	2H	05	LEON	Horizontal	New Drill	-	9000	Approved
Approved 05/17/2013 Submitted 05/13/2013	762586	289- 32093	HALCON OPERATING CO., INC. (344412)	<u>TOWNSELL</u>	1H	05	LEON	Horizontal	New Drill	-	9000	Approved

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 Horizontal Wellbore Type: Allocation
 Application Status: Approved
 Final Approval Date 12/04/2012 to 07/16/2013

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Status Date	Status #	API No.	Operator Name/Number	Lease Name	Well #	Dist.	County	Wellbore Profile	Filing Purpose	Amend	Total Depth	Current Queue
Approved 05/20/2013 Submitted 05/14/2013	762612	329-38710	RSP PERMIAN, LLC (732224)	<u>KATIE (ALLOCATION)</u>	1109H	08	MIDLAND	Horizontal	New Drill	-	12000	Approved
Approved 05/22/2013 Submitted 05/15/2013	750118	127-35131	CHESAPEAKE OPERATING, INC. (147715)	<u>CMWW C DIM (ALLOCATION)</u>	3H	01	DIMMIT	Horizontal	New Drill	Yes	9000	Approved
Approved 05/28/2013 Submitted 05/21/2013	763095	127-35531	CHESAPEAKE OPERATING, INC. (147715)	<u>CMWW A DIM (ALLOCATION)</u>	1H	01	DIMMIT	Horizontal	New Drill	-	9000	Approved
Approved 05/28/2013 Submitted 05/22/2013	763179	127-35544	CHESAPEAKE OPERATING, INC. (147715)	<u>CMWW B DIM (ALLOCATION)</u>	2H	01	DIMMIT	Horizontal	New Drill	-	9000	Approved
Approved 06/03/2013 Submitted 05/23/2013	762342	493-32723	EOG RESOURCES, INC. (253162)	<u>PRUSKI UNIT (ALLOCATION)</u>	1H	01	WILSON	Horizontal	New Drill	Yes	10500	Approved
Approved 06/04/2013 Submitted 05/24/2013	763424	211-35199	DEVON ENERGY PRODUCTION CO, L.P. (216378)	<u>MATHERS RANCH 167 (ALLOCATION)</u>	2H	10	HEMPHILL	Horizontal	New Drill	-	11000	Approved
Approved 06/05/2013 Submitted 05/30/2013	763616	497-37686	DEVON ENERGY PRODUCTION CO, L.P. (216378)	<u>RUBY G. MCCLUNG (AW)</u>	2H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 06/06/2013 Submitted 05/22/2013	763193	127-35545	CHESAPEAKE OPERATING, INC. (147715)	<u>CMWW D DIM (ALLOCATION)</u>	4H	01	DIMMIT	Horizontal	New Drill	-	9000	Approved
Approved 06/07/2013 Submitted 06/04/2013	763906	289-32097	HALCON OPERATING CO., INC. (344412)	<u>ROBESON</u>	2H	05	LEON	Horizontal	New Drill	-	9000	Approved
Approved 06/07/2013 Submitted 06/04/2013	763952	329-38749	DIAMONDBACK E&P LLC (217012)	<u>ST S</u>	501H	08	MIDLAND	Horizontal	New Drill	-	10500	Approved
Approved 06/10/2013 Submitted 05/31/2013	763745	173-35888	LAREDO PETROLEUM - DALLAS, INC. (486615)	<u>BARBEE C-B- BARBEE D (ALLOC)</u>	12HM	08	GLASSCOCK	Horizontal	New Drill	-	9000	Approved
Approved 06/11/2013 Submitted 04/12/2013	760609	173-35732	ENERGEN RESOURCES CORPORATION (252002)	<u>LLANO 8/8A</u>	101H	08	GLASSCOCK	Horizontal	New Drill	-	7850	Approved
Approved 06/11/2013 Submitted 06/04/2013	763959	497-37689	DEVON ENERGY PRODUCTION CO, L.P. (216378)	<u>RUBY G. MCCLUNG (AW)</u>	4H	09	WISE	Horizontal	New Drill	-	9000	Approved

Approved 06/13/2013 Submitted 05/14/2013	762657	135- 42521	DEVON ENERGY PRODUCTION CO, L.P. (216378)	<u>MILLIE B (ALLOC)</u>	33H	08	ECTOR	Horizontal	New Drill	-	9370	Approved
Approved 06/14/2013 Submitted 06/06/2013	764163	365- 38051	EOG RESOURCES, INC. (253162)	<u>PARKER- HOPPER (ALLOCATION) UNIT</u>	1H	06	PANOLA	Horizontal	New Drill	-	11000	Approved
Approved 06/14/2013 Submitted 06/10/2013	755592	235- 35290	DEVON ENERGY PRODUCTION CO, L.P. (216378)	<u>ORELLANA</u>	8H	7C	IRION	Horizontal	New Drill	Yes	9000	Approved
Approved 06/17/2013 Submitted 06/11/2013	764398	365- 38052	EOG RESOURCES, INC. (253162)	<u>PARKER- PIERCE- HOPPER (ALLOC) UNIT</u>	1H	06	PANOLA	Horizontal	New Drill	-	11000	Approved
Approved 06/18/2013 Submitted 06/11/2013	764417	383- 38347	LAREDO PETROLEUM - DALLAS, INC. (486615)	<u>SUGG E-SUGG A (ALLOC)</u>	2082HM	7C	REAGAN	Horizontal	New Drill	-	9000	Approved
Approved 06/20/2013 Submitted 06/19/2013	764975	123- 33213	EOG RESOURCES, INC. (253162)	<u>HATTENBACH (ALLOCATION)</u>	1H	02	DE WITT	Horizontal	New Drill	-	12500	Approved
Approved 06/24/2013 Submitted 06/19/2013	764983	041- 32167	HALCON OPERATING CO., INC. (344412)	<u>HEDGEHOG (ALLOCATION)</u>	3H	03	BRAZOS	Horizontal	New Drill	-	9000	Approved

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 Horizontal Wellbore Type: Allocation
 Application Status: Approved
 Final Approval Date 12/04/2012 to 07/16/2013

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Status Date	Status #	API No.	Operator Name/Number	Lease Name	Well #	Dist.	County	Wellbore Profile	Filing Purpose	Amend	Total Depth	Current Queue
Approved 06/26/2013 Submitted 06/12/2013	763616	497-37686	DEVON ENERGY PRODUCTION CO., L.P. (216378)	<u>RUBY G. MCCLUNG (AW)</u>	2H	09	WISE	Horizontal	New Drill	Yes	9000	Approved
Approved 06/27/2013 Submitted 06/19/2013	765014	041-32168	HALCON OPERATING CO., INC. (344412)	<u>HEDGEHOG (ALLOCATION)</u>	4H	03	BRAZOS	Horizontal	New Drill	-	9000	Approved
Approved 06/27/2013 Submitted 06/25/2013	765370	383-38368	LAREDO PETROLEUM - DALLAS, INC. (486615)	<u>SUGG E-SUGG A (ALLO)</u>	2084HM	7C	REAGAN	Horizontal	New Drill	-	9000	Approved
Approved 07/01/2013 Submitted 06/24/2013	763404	311-35467	BLACKBRUSH O & G, LLC (073059)	<u>STS AW A</u>	1017H	01	MCMULLEN	Horizontal	New Drill	Yes	9500	Approved
Approved 07/02/2013 Submitted 06/12/2013	764464	497-37693	DEVON ENERGY PRODUCTION CO., L.P. (216378)	<u>B.M. CARAWAY (AW) A</u>	4H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 07/02/2013 Submitted 06/12/2013	764472	497-37690	DEVON ENERGY PRODUCTION CO., L.P. (216378)	<u>B.M. CARAWAY (AW)</u>	5H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 07/02/2013 Submitted 06/12/2013	764483	497-37691	DEVON ENERGY PRODUCTION CO., L.P. (216378)	<u>B.M. CARAWAY (AW)</u>	6H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 07/02/2013 Submitted 06/12/2013	764521	497-37692	DEVON ENERGY PRODUCTION CO., L.P. (216378)	<u>B.M. CARAWAY (AW)</u>	7H	09	WISE	Horizontal	New Drill	-	9000	Approved
Approved 07/11/2013 Submitted 07/09/2013	766150	251-34556	ENERVEST OPERATING, L.L.C. (252131)	<u>BROYLES (AW)</u>	103H	05	JOHNSON	Horizontal	New Drill	-	9000	Approved
Approved 07/11/2013 Submitted 07/09/2013	766156	251-34557	ENERVEST OPERATING, L.L.C. (252131)	<u>BROYLES (AW)</u>	102H	05	JOHNSON	Horizontal	New Drill	-	9000	Approved
Approved 07/11/2013 Submitted 07/01/2013	765785	383-38379	LAREDO PETROLEUM - DALLAS, INC. (486615)	<u>SUGG E-SUGG A (ALLO) SL</u>	2085HU	7C	REAGAN	Horizontal	New Drill	-	9000	Approved
Approved 07/12/2013 Submitted 07/02/2013	765905	003-45517	FORGE ENERGY, LLC (276868)	<u>UL 13 DUBLIN</u>	3315H	08	ANDREWS	Horizontal	New Drill	-	4650	Approved
Approved 07/16/2013 Submitted 07/11/2013	766321	173-35941	LAREDO PETROLEUM, INC. (486610)	<u>CURRY GLASS 10 (ALLO)</u>	152H	08	GLASSCOCK	Horizontal	New Drill	-	10000	Approved

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