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January 4, 2013

Marshall Enquist, Hearings Examiner
Richard Atkins, PE, Technical Examiner
Office of General Counsel
Railroad Commission of Texas
1701 N. Congress Avenue
Austin, TX 78701

FILED
2013 JAN -4 PM 12: 37
DOCKET SERVICES
RAILROAD COMMISSION
OF TEXAS
VIA HAND DELIVERY

Re: Status No. 744730; O&G Docket No. 02-0278952; In Re Conservation and
Prevention of Waste of Crude Petroleum and Natural Gas in the State of Texas

Dear Examiner Enquist and Examiner Atkins:

Enclosed please find The Texas General Land Office's Closing Statement in the above-
referenced matter. If you have any questions, please do not hesitate to contact me.

Sincerely,


William Osborn

WSO/kp
Enclosure
cc: Service List

OIL & GAS DOCKET 02-0278952; §
APPLICATION OF EOG RESOURCES INC., §
KLOTZMAN LEASE (ALLOCATION), WELL §
NO. 1-H, EAGLEVILLE (EAGLEFORD-2) §
FIELD, DEWITT COUNTY, TEXAS §
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BEFORE THE
RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
OFFICE OF GENERAL COUNSEL

CLOSING STATEMENT OF THE TEXAS GENERAL LAND OFFICE

TO THE HONORABLE RAILROAD COMMISSION OF TEXAS:

COMES NOW the Texas General Land Office (GLO), and respectfully submits its Closing Statement, showing the Commission as follows:

I.

The Commission has convened this case to consider for the first time a challenge by a mineral owner to an allocation permit. The General Land Office is the steward for some 13 million mineral acres owned by the State of Texas, and its lease forms do not permit pooling without consent. The GLO has for years submitted such applications to a pooling committee for review. The pooling committee is made up of representatives from the GLO, the Office of the Attorney General, and the Governor's Office and carefully considers such requests, weighing their impact on the State in terms of dilution of its interest. The GLO desires, by participation in this docket, to give notice to the Railroad Commission and the oil and gas industry of Texas that it would consider any attempt to form an allocation unit involving State mineral acreage without State consent to be legally infirm.

The GLO's concern extends in particular to State Relinquishment Act mineral tracts for which the surface owner is an agent of the State for a partial royalty share in lease negotiations.

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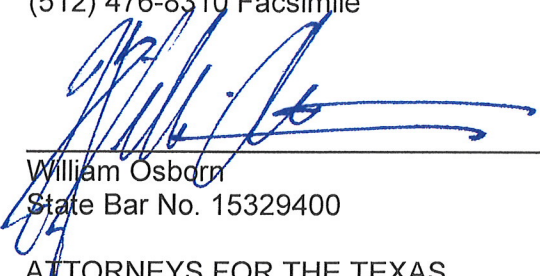
These tracts cover some six million acres across the State. There is a special lease form prescribed for these leases, and the GLO considers that it does not authorize "allocation wells" without the State's consent. If the Railroad Commission issues drilling permits for such wells without notice to the lessor(s), those owners cannot act effectively as agents and fulfill their duty to protect the State against unfair dilution.

II.

The GLO asks the Railroad Commission to stop issuing allocation well drilling permits without giving notice to the lessors, and an opportunity to protest. The 21 day procedure presently used in Statewide Rules 26 and 37 seems well suited for this purpose, and enables development of an allocation well to proceed if the mineral owners are silent. Perhaps the Commission might try this for a trial period of a year and discern how many such cases are actually protested, and whether the procedure seems appropriate and administratively workable. A surcharge on the drilling permit fee for this kind of well could be imposed to recover the Commission's extra personnel cost.

Respectfully submitted,

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ATTORNEYS FOR THE TEXAS
GENERAL LAND OFFICE

CERTIFICATE OF SERVICE

I hereby certify that the Closing Statement of the Texas General Land Office has been served upon the following parties of record via facsimile, and/or First Class U.S. Mail, and/or email, on this the 4 day of January, 2013.

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