



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL & GAS DOCKET NO. 09-0262864

APPLICATION OF GRENADIER ENERGY PARTNERS, LLC FOR FORMATION OF A POOLED UNIT PURSUANT TO THE MINERAL INTEREST POOLING ACT FOR THE EOG RESOURCES, INC., WHITESIDE UNIT NO. 1H WELL, NEWARK, EAST (BARNETT SHALE) FIELD, MONTAGUE COUNTY, TEXAS

APPEARANCES:

FOR APPLICANT:

Mickey Olmstead
Paul Tough
Pat Noyes
Roger Smith
Kerry Pollard

APPLICANT:

Grenadier Energy Partners, LLC

FOR PROTESTANT:

H. Philip Whitworth
John Hicks
Rick Johnston
Dustin Bynum

PROTESTANT:

EOG Resources, Inc.

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

DATE APPLICATION FILED:

August 27, 2009

EOG MOTION TO DISMISS FILED:

September 9, 2009

NOTICE OF PRE-HEARING CONFERENCE:

October 2, 2009

DATE OF PRE-HEARING CONFERENCE:

October 28, 2009

HEARD BY:

James M. Doherty, Hearings Examiner
Donna Chandler, Technical Examiner

DATE TRANSCRIPT RECEIVED:

November 14, 2009

DATE PFD CIRCULATED:

December 1, 2009

STATEMENT OF THE CASE

This case involves the application of Grenadier Energy Partners, LLC ("Grenadier") for formation of a force pooled unit pursuant to the Mineral Interest Pooling Act ("MIPA") for the EOG Resources, Inc. ("EOG") Whiteside Unit No. 1H Well, Newark, East (Barnett Shale) Field, Montague County, Texas. The application is opposed by EOG.

The Grenadier application was filed on August 27, 2009, proposing to force pool Grenadier's partial undivided interest in 58.36 acres into the 145.62 acre Whiteside Unit upon which EOG has drilled the Whiteside Unit, Well No. 1H in the Newark, East (Barnett Shale) Field. EOG also owns a partial undivided interest in the 58.36 acres and has included this acreage in the 145.62 acre Whiteside Unit as Tract 1. Grenadier's partial undivided interest in Tract 1 is not pooled into the Whiteside Unit. Appendix 1 to this proposal for decision is a copy of a plat included in EOG Exhibit No. 4 depicting the Whiteside Unit and the three tracts that make up the unit. Appendix 2 to this proposal for decision is a copy of a plat included in EOG Exhibit No. 5 depicting the as-drilled location of the Whiteside Unit Well No. 1H.

On September 9, 2009, EOG filed a plea to the jurisdiction and motion to dismiss the Grenadier application. In this plea and motion, EOG contended that pursuant to §102.014(a) of the MIPA, as the owner of a mineral interest, the productive acreage of which is equal to or in excess of the standard proration unit for the reservoir, EOG cannot be required to force pool its interest with another unless requested by the holder of an adjoining mineral interest, the productive acreage of which is smaller than the standard proration unit for the reservoir. EOG contends Grenadier is the holder of an adjoining mineral interest the productive acreage of which is larger than the standard proration unit for the reservoir.

By letter ruling dated September 23, 2009, the legal examiner notified the parties that a pre-hearing conference would be held to consider evidence and argument pertaining to the plea to the jurisdiction and motion to dismiss. A notice of pre-hearing conference was issued on October 2, 2009, and by agreement of the parties, the pre-hearing conference was held on October 28, 2009. Both Grenadier and EOG appeared at the pre-hearing conference and presented evidence. The examiners have concluded that the plea to the jurisdiction and motion to dismiss filed by EOG must be granted, and the application of Grenadier must be dismissed.

DISCUSSION OF THE EVIDENCE

EOG

At the pre-hearing conference, a landman employed by EOG presented a copy of the Declaration of Pooled Unit for the Whiteside Unit. This Declaration was effective February 1, 2009, and formed a 145.62 acre pooled unit. EOG's landman also presented a copy of the oil and gas lease now held by Grenadier covering acreage adjoining the Whiteside Unit. This oil and gas lease is

dated December 14, 2007, and has a primary term of two years, subject to the right of the lessee to extend the lease for an additional two year period in return for payment to the lessors of \$2,000 per net mineral acre. The lease was originally made between Kenneth and Marja Bower, lessors, and 1st Southwest Consultants, LLC, lessee, and is referred to as the Bower Lease. The Bower Lease covers a total of 313.06 acres, and provides Grenadier's partial undivided interest which Grenadier seeks to force pool into the EOG Whiteside Unit. By assignment dated June 6, 2008, the Bower Lease was assigned from 1st Southwest Consultants, LLC to Grenadier.

EOG also owns a partial undivided interest in the 313.06 acres covered by Grenadier's Bower Lease. When the pooled unit for the Whiteside Unit Well No. 1H was formed, EOG pooled its interest in 58.36 of these acres into the unit. Grenadier's partial undivided interest in the same 58.36 acres was not pooled into the Whiteside Unit. Appendix 3 to this proposal for decision is a copy of Grenadier Exhibit No. 3 which is a plat depicting the adjoining EOG Whiteside Unit and Grenadier Bower Lease.

An amended drilling permit for the as-drilled location of the Whiteside Unit Well No. 1H was issued June 23, 2009. The well was permitted as a horizontal well on the 145.62 acre pooled unit in the Newark, East (Barnett Shale) Field. A Form P-12 Certificate of Pooling Authority filed by EOG reflected that Tract 1 in the Whiteside Unit, the "P. Birdwell, et al." tract consisting of 58.36 acres has a non-pooled interest. This non-pooled interest is the partial undivided interest owned by Grenadier that is here sought to be force pooled into the Whiteside Unit.

The Whiteside Unit Well No. 1H was completed on March 29, 2009, in the Newark, East (Barnett Shale) Field. On April 27, 2009, the well potentialled for 182 barrels of oil per day and 97 MCF of gas per day. In the expert opinion of a petroleum engineer retained by EOG, Well No. 1H is an oil well.¹ The completion report for the well shows that the well produces with an oil gravity of 40.9 and a GOR of 533 standard cubic feet per barrel. The well is near the eastern edge of Montague County in the oil rim of the Barnett Shale basin. According to EOG's petroleum engineer, almost all of the Barnett Shale producing wells in the vicinity are oil wells.

By Final Order signed on September 29, 2009, in Oil & Gas Docket Nos. 09-0262736 and 09-0262846, the field rules for the Newark, East (Barnett Shale) Field were amended. Among other things, the amendments to the field rules provided that the standard drilling and proration units for oil wells is established to be 40 acres. The amendments also provided for optional 20 acre units for

¹ A petroleum engineer retained by Grenadier concurred that the Whiteside Unit, Well No. 1H should be classified as an oil well. The examiners have officially noticed from the Commission's P-4 Inquiry and Oil Proration Schedule databases that the Whiteside Unit has been assigned an oil lease identification number and the well has been placed on the Oil Proration Schedule as of November 3, 2009, as the Whiteside Unit (31424) Lease in District 09.

oil wells. These amendments were adopted on the application of EOG.² According to EOG's petroleum engineer, Grenadier was not provided notice of the EOG application to amend the field rules because Grenadier is not an operator of wells in the Newark, East (Barnett Shale) Field or anywhere else in Texas.

EOG's petroleum engineer presented base maps depicting outlines of the Whiteside Unit and Grenadier's Bower Lease. The 313.06 acres in Grenadier's Bower Lease adjoin the Whiteside Unit. This engineer also presented a regional map covering about 50 square miles around the Whiteside Unit Well No. 1H that depicted the locations of wells in the area that had been drilled and completed in, and produced from, the Newark, East (Barnett Shale) Field, as well as locations for wells that had been permitted in the Newark, East (Barnett Shale) Field. All of the producing wells shown on this regional map are oil wells. The initial completion for one of these wells to the east of the Whiteside Unit was reported as a gas well and the well is now reclassified as an oil well. The regional map shows that the Whiteside Unit and Grenadier's adjacent Bower Lease are surrounded in every compass direction by oil wells producing from the Newark, East (Barnett Shale) Field. According to EOG's petroleum engineer, all of the acreage in Grenadier's Bower Lease and in the EOG Whiteside Unit is reasonably productive for oil in the Newark, East (Barnett Shale) Field. Within the area covered by the regional map, the Newark, East (Barnett Shale) Field is a blanket productive horizon 400'-600' thick and productive across the entire area.

EOG's petroleum engineer testified that any well drilled in the Newark, East (Barnett Shale) Field in the vicinity of the Whiteside Unit Well No. 1H should be expected to be an oil well. In his opinion, Grenadier's Bower Lease contains productive acreage that exceeds the standard drilling and proration unit for oil wells in the Newark, East (Barnett Shale) Field, and there are multiple regular locations on the Bower Lease where Grenadier can drill wells in this field. This engineer had not studied whether a well drilled on the Bower Lease would be economic, but expressed the opinion that no well drilled on this lease would be a dry hole.

EOG argued that Grenadier has productive acreage in the Bower Lease that exceeds the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field. It is EOG's position, therefore, that under §102.014(a) of the MIPA and the Texas Supreme Court holding in *Broussard v. Texaco*, 479 S.W.2d 270 (Tex. 1972), Grenadier's application must be dismissed. EOG believes that Grenadier can protect its correlative rights by drilling its own well or wells on Grenadier's Bower Lease.

² The examiners have officially noticed that prior to these amendments, the field rules for the Newark, East (Barnett Shale) Field provided for standard drilling and proration units for *gas wells* of 320 acres and provided also for standard drilling units for oil wells of 40 acres.

Grenadier

By letter dated June 30, 2009, Grenadier sent to EOG a voluntary pooling offer to pool its interest in the 58.36 acres included by EOG as Tract 1 in the Whiteside Unit. If such pooling occurs, Grenadier calculates that its working interest in the Whiteside Unit would be 21.2%. Grenadier proposed to contribute its pro rata share of the cost of drilling, operation, reworking, and plugging of the Whiteside Unit Well No. 1H, with Grenadier's share of such costs to be taken out of production from and after the effective date of pooling, plus a risk penalty of 8%. Grenadier's offer said Grenadier was also open to other possibilities, including the sale of Grenadier's Bower Lease to EOG. In connection with Grenadier's application, EOG offered to permit Grenadier to come in and participate in the Whiteside Unit Well No. 1H from day one if Grenadier would pay its pro rata share of the well costs. This offer was not acceptable to Grenadier based on lack of available information about the well. Grenadier preferred to be carried by EOG, with its pro rata share of expenses to be deducted from production.

Grenadier's believes it has a weighted average 53% interest in the 313.06 acres in the Bower Lease, and EOG owns the remaining 47% interest in the same acreage. If Grenadier's application under the MIPA is not granted, Grenadier would not drill a well on its Bower Lease acreage at this time, because of its opinion that the economics would not support it. Grenadier believes that a \$100 per barrel oil price is necessary to achieve a 20% rate of return, and anything less than this rate of return would not be acceptable to Grenadier. According to Grenadier's President and CEO, Grenadier does not believe it needs to drill on its Bower Lease acreage, because the Whiteside Unit Well No. 1H is draining this acreage. An as-drilled plat for the Whiteside Unit Well No. 1H presented by EOG shows that the well is about 392' away from Grenadier's non-pooled interest in the 58.36 acre Tract 1 in the Whiteside Unit.

A petroleum engineer retained by Grenadier gave his opinion that the Whiteside Unit Well No. 1H had a "good size" frac all along the wellbore and "could" be draining the 58.36 acre Tract 1 in the Whiteside Unit in which Grenadier has a partial undivided interest that is non-pooled. He believed that force pooling was necessary to protect Grenadier's correlative rights in this acreage.

Grenadier claims not to be bound by the standard proration unit for oil wells of 40 acres adopted in the Final Order signed on September 29, 2009, in Oil & Gas Docket Nos. 09-0262736 and 09-0262846, because Grenadier was not provided notice of hearing on the EOG application that led to this order. Grenadier believes that because of the lack of notice, it is subject only to the "old" field rules that provided a standard proration unit of 320 acres for gas wells only and a 40 acre standard drilling unit for oil wells. In support of this position, Grenadier relies on the Texas Supreme Court opinion in *R.R. Com'n of Texas v. Torch Operating*, 912 S.W.2d 790 (Tex. 1995). Grenadier stresses that it is not seeking to force pool the entirety of the 313.06 acres covered by its Bower Lease, but only its partial undivided interest in the 58.36 acres which EOG included in the Whiteside Unit as Tract 1. Grenadier believes that when EOG pooled the 58.36 acres, it created a voluntary subdivision because the shape of Tract 1 containing this acreage will not support a regular

location. Grenadier asserts that a Rule 37 exception would be required for any well that Grenadier might elect to drill on the 58.36 acres. Grenadier also argues that it cannot protect its correlative rights by drilling on the Bower Lease because no operator with only a 53% interest would drill such a well if it had to carry the other 47% interest owned by another operator.

EXAMINERS' OPINION

The plea to the jurisdiction and motion to dismiss filed by EOG requires the examiners to apply §102.014(a) of the MIPA to the facts of this case as disclosed by the evidence presented at the pre-hearing conference. The examiners believe that a ruling on the plea to the jurisdiction and motion to dismiss prior to a full hearing on the merits is appropriate, because the evidence presented at the pre-hearing conference is sufficient to support such a ruling, and a grant of the plea to the jurisdiction and motion to dismiss will be dispositive of every issue in the case.

Section 102.014(a) of the MIPA is clear and unambiguous. Section 102.014(a) provides:

“(a) The commission shall not require the owner of a mineral interest, the productive acreage of which is equal to or in excess of the standard proration unit for the reservoir, to pool his interest with others unless requested by the holder of an adjoining mineral interest, the productive acreage of which is smaller than such pattern, who has not been provided a reasonable opportunity to pool voluntarily.”

The evidence presented at the pre-hearing conference by EOG is sufficient to show that: (1) Grenadier is seeking to force pool its partial undivided interest in 58.36 acres into a proration unit for the Whiteside Unit Well No. 1H, which is an oil well; (2) for the purpose of applying Section 102.014(a) of the MIPA, the standard proration unit properly to be considered is the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field; (3) the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field is 40 acres; (4) EOG is the owner of a mineral interest in the Whiteside Unit, the productive acreage of which is 145.62 acres, 105.62 acres in excess of the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field; (5) Grenadier is the owner of a mineral interest in the adjoining Bower Lease, the productive acreage of which is 313.06 acres, 273.06 acres in excess of the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field. Grenadier did not seriously dispute, or least did not present any evidence to contradict, the testimony of EOG's expert that all of the acreage in EOG's Whiteside Unit and all of the acreage in Grenadier's Bower Lease is productive for oil in the Newark, East (Barnett Shale) Field. Grenadier is not “the holder of an adjoining mineral interest, the productive acreage of which is smaller than” the standard proration unit for oil wells in the field, and under §102.014(a) of the MIPA, the Commission cannot require EOG to pool its interest with Grenadier's interest.

That Grenadier is seeking to force pool only its partial undivided interest in 58.36 acres rather than the entire 313.06 acres in its Bower Lease makes no difference to the application of §102.014(a) of the MIPA. See *Broussard v. Texaco, supra*, and *Smith & Weaver, Texas Law of Oil and Gas*,

Vol. 3, Chap. 12, §12.3(C)(2) at page 12-46 (Matthew Bender 2007). Regardless of the particular interest sought to be force pooled, Grenadier is the owner of an interest in an adjoining 313.06 productive acres, substantially in excess of the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field, and even the interest in the 58.36 acres sought to be force pooled is an interest in productive acreage in excess of the standard proration unit.³

The examiners do not agree with Grenadier's argument that because Grenadier did not receive notice of the EOG application to amend the field rules in Oil & Gas Docket Nos. 09-0262736 and 09-0262846, the 40 acre standard proration unit for oil wells in the Newark, East (Barnett Shale) Field is not to be applied as to Grenadier's application for the purposes of §102.014(a) of the MIPA. The examiners have officially noticed that Commission practice is to provide notice of hearing on applications to amend permanent field rules only to operators in the field. Grenadier is not an operator in the Newark, East (Barnett Shale) Field or anywhere else in the State of Texas. The Commission has no rule that required notice of hearing to Grenadier on the EOG application to amend the permanent field rules based simply on the fact that Grenadier had an application pending under the MIPA to force pool interests in the field.

The decision in *R.R. Com'n of Texas v. Torch Operating, supra*, is distinguishable on its facts. In *Torch*, the Court upheld a Commission order that had found *temporary* field rules void as to an operator (Goodrich) determined to be affected by the rules but which had not received notice of hearing on an application to establish the rules. Goodrich held a leasehold interest in a tract abutting the pooled unit for the discovery well in the field. When the operator of the discovery well (Kilroy), filed a application for temporary field rules, notice of hearing was not provided to Goodrich. Statewide Rule 43 required that notice of hearing on the temporary field rules application be provided to all operators holding leases on land touching the discovery well tract. Goodrich had applied for a drilling permit to drill its first well based on statewide rules before any temporary field rules had been established, a drilling permit was issued to Goodrich shortly after the temporary field rules were adopted, and Goodrich proceeded to drill the well. Although Goodrich's well conformed to the statewide rules in effect at the time Goodrich applied for a drilling permit, the well was irregularly spaced under the temporary field rules adopted thereafter. A question was then presented as to whether Goodrich was entitled to an allowable for its well in view of the fact that the well was irregularly spaced under the temporary field rules. The Commission's order upheld by the Court in *Torch* found that Goodrich was entitled to notice of hearing on the application for temporary field rules, and because such notice had not been given, the rules were void as to Goodrich, so that Goodrich's well was legally drilled and located, and Goodrich was entitled to make up production

³ Although EOG has pooled its partial undivided interest in the 58.36 acres into the Whiteside Unit, Grenadier's interest is not pooled. Grenadier's interest is thus an adjoining interest within the meaning of §102.014(a) of the MIPA. Under Statewide Rule 40, as the owner of a non-pooled interest, Grenadier retains its development rights as to the 58.36 acres regardless of the pooling of EOG's interest in the same acreage, and if Grenadier completes a producing well on the 58.36 acres, it will be entitled to assign all 58.26 acres to its well for allocation purposes.

for the time the well was shut in waiting on an allowable. The Court found that there was substantial evidence to support the Commission's order.

The notice provisions of Statewide Rule 43 involved in *Torch* apply to applications for temporary field rules only. There is no comparable notice rule for applications to amend permanent field rules.⁴ The validity of permanent field rules was not involved in *Torch*, and the Court noted that it was uncontested that Goodrich was subject to the permanent field rules from the time of their adoption about one year after the adoption of the temporary field rules. In view of the Commission's practice to provide notice of applications for permanent field rules only to operators in the field, the finding argued for by Grenadier that permanent field rules are void as to any non-operator owner of a leasehold interest who did not receive notice of hearing on the application for such rules would undermine the integrity of permanent field rules generally. Even if it could be said that Grenadier is not bound to comply with the amended field rules because it received no notice of hearing on the application to establish them, these rules establishing a standard proration unit for oil wells nonetheless would be binding on the Railroad Commission for the purpose of determining its jurisdiction under §102.014(a) of the MIPA.

Furthermore, it is Grenadier's position that the field rules for the Newark, East (Barnett Shale) Field contained no standard proration unit for oil wells, as contrasted with a standard drilling unit, prior to the Final Order signed on September 29, 2009, in Oil & Gas Docket Nos. 09-0262736 and 09-0262846. If this be true, and if Grenadier is correct that the September 29, 2009, Final Order is void because Grenadier was not provided notice of the application to establish the amended field rules, then Grenadier's stand alone application under the MIPA cannot be considered because §102.011 of the MIPA provides the Commission with authority to order compulsory pooling only as to common reservoirs for which the Commission has established the size and shape of proration units.

Finally, Grenadier's belief that oil prices would need to rise to \$100 per barrel for a well to meet Grenadier's 20% return on equity standard for the drilling of a well on Grenadier's Bower Lease does not bear directly on the determination that must be made under §102.014(a) of the MIPA. Whether a well drilled on the Bower Lease would be "economic" under Grenadier's standard is not the test under §102.014(a). The sole issue under §102.014(a) is whether both EOG and Grenadier are the owners of an interest, the productive acreage of which is in excess of the standard proration unit for oil wells in the field. The evidence establishes that they are, and in these circumstances, the Commission may not require EOG to pool its interest with Grenadier's interest.

⁴ See Railroad Commission of Texas Oil & Gas Division, *Discussions of Law Practice and Procedure*, Part I(A) at page 1 ("The Railroad Commission notifies interested parties of field rules hearings. In a temporary field rule hearing, the Commission obtains from the applicant the identity of interested parties based on the lease tract of the discovery well for the new field. The Commission notifies all operators offsetting the lease tract of the discovery well, and any owners of mineral interests on lands offsetting the drillsite tract. If at the time temporary field rules are requested, a second operator has completed a well in the field, that operator is given notice. *When a hearing is held to consider the establishment of permanent field rules, all operators with wells in the field are notified.*" (Emphasis added))

The examiners' recommendation that the Grenadier application be dismissed will be dispositive of Grenadier's motion to compel discovery responses by EOG and Grenadier's request for issuance of an interim order.

Based on the record made at the pre-hearing conference, the examiners recommend adoption of the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. More than ten (10) days notice of the pre-hearing conference in this docket was provided to Grenadier Energy Partners, LLC ("Grenadier") and EOG Resources, Inc. ("EOG"). This notice stated that the plea to the jurisdiction and motion to dismiss filed by EOG would be considered at the pre-hearing conference. Both Grenadier and EOG appeared at the pre-hearing conference and presented evidence and argument.
2. By application filed on August 27, 2009, Grenadier requested that the Commission order formation of a force pooled unit pursuant to the Mineral Interest Pooling Act ("MIPA") for the EOG Whiteside Unit No. 1H Well, Newark, East (Barnett Shale) Field, Montague County, Texas. Grenadier proposed that its partial undivided interest in 58.36 acres be force pooled into the 145.62 acre Whiteside Unit upon which EOG has drilled the Whiteside Unit, Well No. 1H.
3. The Grenadier application is opposed by EOG, which is the operator of the Whiteside Unit.
4. On September 9, 2009, EOG filed a plea to the jurisdiction and motion to dismiss the Grenadier application, contending that under §102.014(a) of the MIPA, EOG could not be required to force pool its interest in the Whiteside Unit with Grenadier's interest in the 58.36 acres.
5. On October 28, 2009, a pre-hearing conference was held at which Grenadier and EOG were provided an opportunity to present evidence and argument concerning EOG's plea to the jurisdiction and motion to dismiss.
6. EOG formed the 145.62 acre Whiteside Unit by Declaration of Pooled Unit effective February 1, 2009. EOG is the owner of a leasehold interest in the three tracts of land pooled into this unit.
7. Tract 1 in the Whiteside Unit contains 58.36 acres. EOG owns a partial undivided leasehold interest in this 58.36 acres.
8. Grenadier also owns a partial undivided leasehold interest in the 58.36 acres in Tract 1 of the Whiteside Unit, but its interest is non-pooled. This is the interest that Grenadier requests be force pooled with EOG's interest in the Whiteside Unit.

9. The Whiteside Unit, Well No. 1H was completed by EOG on March 29, 2009, as a horizontal well in the Newark, East (Barnett Shale) Field. This well is currently producing.
10. The Whiteside Unit, Well No. 1H is an oil well.
 - a. On April 27, 2009, the well potentialled for 182 barrels of oil per day and 97 MCF of gas per day.
 - b. The Form W-2 (Oil Well Potential Test, Completion or Recompletion Report and Log) for the well shows that the well produces with an oil gravity of 40.9 and a GOR of 533 standard cubic feet per barrel.
 - c. The well is near the eastern edge of Montague County in the oil rim of the Barnett Shale basin.
 - d. All producing wells in the Newark, East (Barnett Shale) Field within an area of about 50 square miles around the Whiteside Unit, Well No. 1H are oil wells.
 - e. Petroleum engineers presented by Grenadier and EOG at the pre-hearing conference stated their expert opinions that the Whiteside Unit, Well No. 1H should be classified as an oil well.
11. By Final Order signed on September 29, 2009, in Oil & Gas Docket Nos. 09-0262736 and 09-0262846, the field rules for the Newark, East (Barnett Shale) Field were amended. Among other things, the amendments provided that the standard drilling and proration units for oil wells is established to be 40 acres. The amendments also provided for optional 20 acre units for oil wells.
 - a. The field rules were amended in these dockets on the application of EOG.
 - b. It is the practice of the Railroad Commission to provide notice of hearing on applications to amend permanent field rules to operators of wells in the field.
 - c. Grenadier was not provided notice of hearing in these dockets because Grenadier is not an operator of a well in the Newark, East (Barnett Shale) Field or anywhere else in the State of Texas.
12. Prior to issuance of the Final Order signed on September 29, 2009, in Oil & Gas Docket Nos. 09-0262736 and 09-0262846, the field rules for the Newark, East (Barnett Shale) Field provided for standard drilling and proration units for gas wells of 320 acres and standard drilling units for oil wells of 40 acres.

Proposal for Decision

13. Grenadier is the owner of a partial undivided leasehold interest in 313.06 acres in Grenadier's Bower Lease which adjoins the Whiteside Unit to the WSW and which is inclusive of the 58.36 acres in Tract 1 of the Whiteside Unit. Grenadier calculates that it has a weighted average 53% interest in the 313.06 acres. EOG owns the remainder of the leasehold interest in the 313.06 acres.
14. There are multiple regular locations on Grenadier's Bower Lease where wells in the Newark, East (Barnett Shale) Field could be drilled.
15. By letter dated June 30, 2009, Grenadier sent to EOG a voluntary pooling offer to pool its interest in the 58.36 acres included by EOG as Tract 1 in the Whiteside Unit. Grenadier proposed to contribute its share of well costs by having its share of such costs taken out of production from and after the date of pooling, plus a risk penalty of 8%.
16. EOG offered to permit Grenadier to participate in the Whiteside Unit, Well No. 1H from day one if Grenadier would pay its pro rata share of well costs up front. This offer was not acceptable to Grenadier based on a lack of available information about the well. Grenadier preferred to be carried by EOG, with its pro rata share of expenses to be deducted from production.
17. All of the acreage in the EOG Whiteside Unit and the Grenadier Bower Lease is reasonably productive for oil in the Newark, East (Barnett Shale) Field.
 - a. All producing wells in the Newark, East (Barnett Shale) Field within an area of about 50 square miles around the Whiteside Unit, Well No. 1H are oil wells.
 - b. The Whiteside Unit and the Bower Lease are surrounded in every compass direction by oil wells producing from the Newark, East (Barnett Shale) Field.
 - c. In the area of the Whiteside Unit and the Bower Lease, the Newark, East (Barnett Shale) Field is a blanket productive horizon 400'-600' thick and productive across the entire area.
18. EOG is the owner of a mineral interest in the Whiteside Unit, the productive acreage of which is equal to or in excess of the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field.
19. Grenadier is the owner of a mineral interest in its Bower Lease which adjoins the Whiteside Unit, and the productive acreage of the Bower Lease is not smaller than the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field.

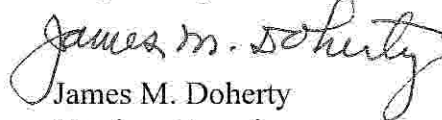
CONCLUSIONS OF LAW

1. Proper notice of the pre-hearing conference was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
2. Pursuant to §102.011 of the Mineral Interest Pooling Act, Chapter 102, Texas Natural Resources Code, the Railroad Commission may order compulsory pooling only with respect to two or more separate tracts of land embraced in a common reservoir of oil or gas for which the Commission has established the size and shape of proration units.
3. Pursuant to §102.014(a) of the Mineral Interest Pooling Act, Chapter 102, Texas Natural Resources Code, the Railroad Commission may not require an owner of a mineral interest, the productive acreage of which is equal to or in excess of the standard proration unit for the reservoir, to pool his interest with others unless requested by the holder of an adjoining mineral interest, the productive acreage of which is smaller than such pattern, who has not been provided a reasonable opportunity to pool voluntarily.
4. Because Grenadier Energy Partners, LLC seeks to force pool its interest in 58.36 acres into a proration unit for the EOG Resources, Inc., Whiteside Unit, Well No. 1H, which is an oil well in the Newark, East (Barnett Shale) Field, the appropriate standard proration unit to consider for the purposes of §102.014(a) of the Mineral Interest Pooling Act, is the standard proration unit of 40 acres for oil wells in the field rules for the Newark, East (Barnett Shale) Field.
5. Pursuant to §102.014(a) of the Mineral Interest Pooling Act, Chapter 102, Texas Natural Resources Code, the Railroad Commission may not require EOG Resources, Inc., to pool its interest in the Whiteside Unit with Grenadier Energy Partners, LLC's adjoining mineral interest because the productive acreage of such interest is not smaller than the standard proration unit for oil wells in the Newark, East (Barnett Shale) Field.
6. The plea to the jurisdiction and motion to dismiss filed by EOG Resources, Inc., should be granted, and the application of Grenadier Energy Partners, LLC in this docket should be dismissed.

RECOMMENDATION

The examiners recommend that the plea to the jurisdiction and motion to dismiss filed by EOG Resources, Inc., be granted, and the application of Grenadier Energy Partners, LLC in this docket be dismissed.

Respectfully submitted,

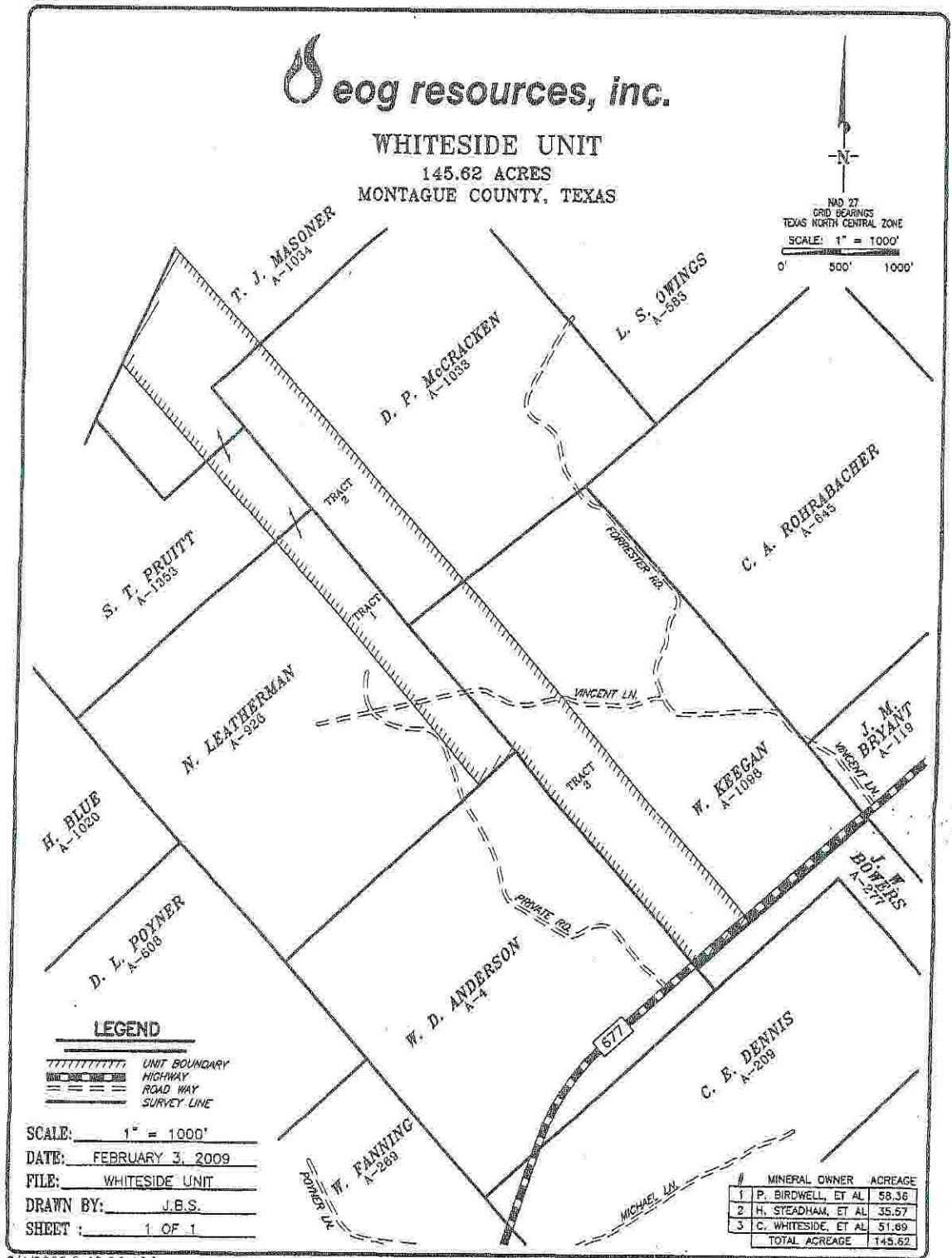
A handwritten signature in cursive script, appearing to read "James M. Doherty".

James M. Doherty
Hearings Examiner

A handwritten signature in cursive script, appearing to read "Donna Chandler".

Donna Chandler
Technical Examiner

Appendix 1



2/4/2009 8:40:06 AM

I certify this plat to be true and correct to
The best of my belief and knowledge.

Signed Sara Holland
Sara Holland, Senior Land Tech.

Appendix 2

TOPOGRAPHIC

SURVEYING • MAPPING • GIS • GPS
5259 E. HWY 377 • GRANBURY, TEXAS 76049
TELEPHONE: (817) 910-2672 • FAX: (817) 326-5181
WWW.TOPOGRAPHIC.COM

MONTAGUE COUNTY, TEXAS

SURFACE LOCATION: 279' FSWL & 263' FSEL

"AS-DRILLED"

W. KEEGAN SURVEY, A-1098

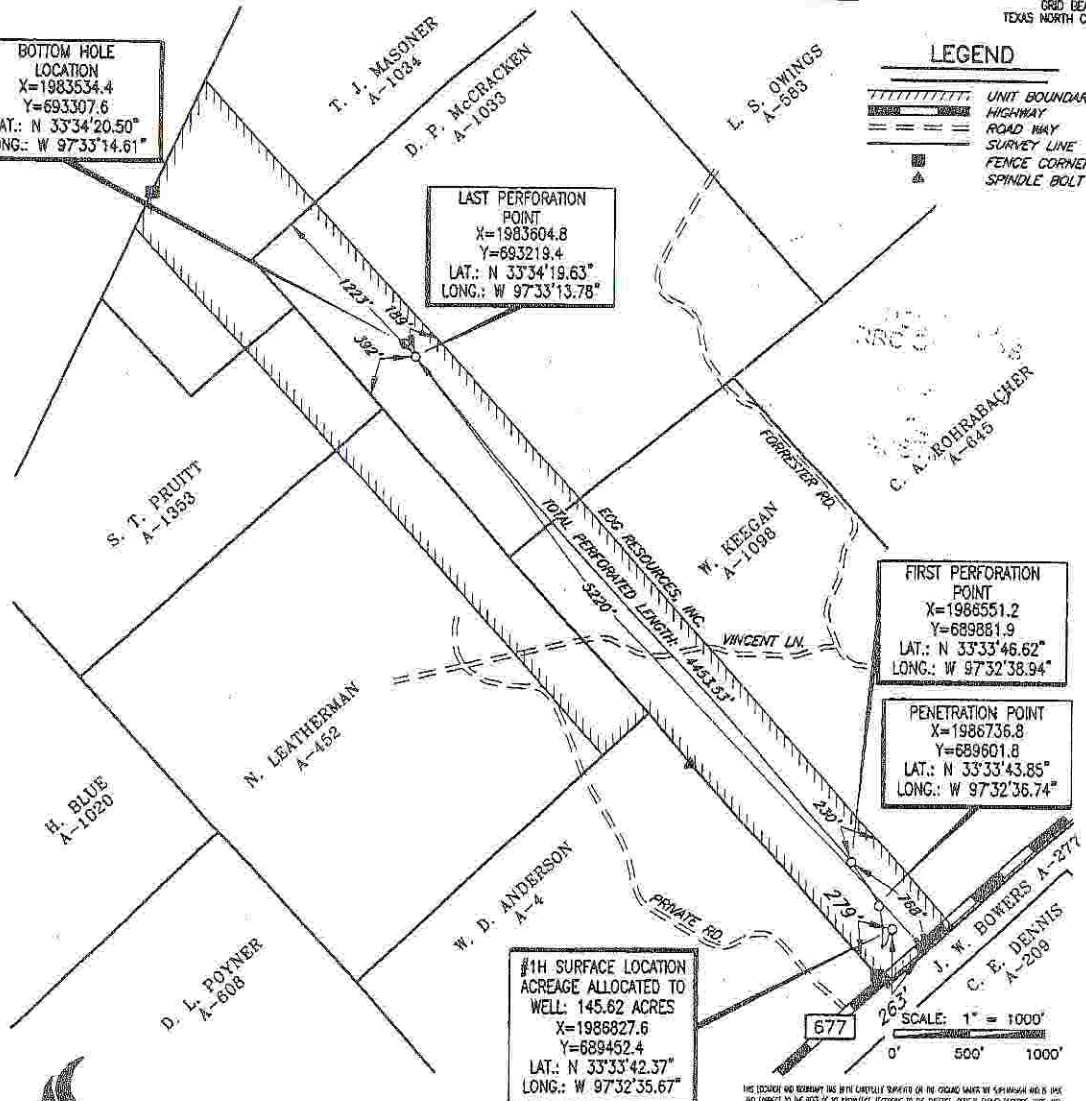
NAD 27
GRID BEARINGS
TEXAS NORTH CENTRAL ZONE

BOTTOM HOLE
LOCATION
X=1983534.4
Y=693307.6
LAT.: N 33°34'20.50"
LONG.: W 97°33'14.61"

LAST PERFORATION
POINT
X=1983604.8
Y=693219.4
LAT.: N 33°34'19.63"
LONG.: W 97°33'13.78"

LEGEND

UNIT BOUNDARY
HIGHWAY
ROAD WAY
SURVEY LINE
FENCE CORNER
SPINDLE BOLT FOUND



eog resources, inc.

LEASE NAME & WELL NO.: WHITESIDE UNIT #1H

DATE OF SURVEY: SEPTEMBER 28, 2009

LOCATED: ±2.2 MILES NORTHEAST OF FORESTBURG, TX

UNIT / LEASE ACREAGE: 145.62 ACRES

GROUND ELEVATION: 1002'

BEST ACCESSIBILITY TO LOCATION: FROM FM. 677 TO A POINT ±180 FEET SOUTHEAST OF THE LOCATION.

DISTANCE & DIRECTION

FROM HWY JCT. OR TOWN: FROM THE INTERSECTION OF FM. 455 & FM. 677, GO NORTH ON FM. 677 ±2.2

MILES TO A POINT ±180 FEET SOUTHEAST OF THE LOCATION.

Appendix 3

GRENADIER ENERGY PARTNERS
EXHIBIT NO. 3
OIL & GAS DOCKET NO. 09-0262864
OCTOBER 28, 2009

Blue Outline = Whiteside Unit Boundary
Red lined Area = Grenadier 313.06 Acre Lease

EXHIBIT
A

