



October 12, 2004

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13366

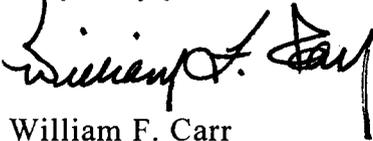
2004 OCT 13 AM 8 18

Re: Application of EOG Resources, Inc. for compulsory pooling and horizontal drilling, Eddy County, New Mexico

Dear Mr. Fesmire:

Enclosed is the application of EOG Resources, Inc. in the above-referenced case as well as a copy of a legal advertisement. EOG Resources, Inc. requests that this matter be placed on the docket for the November 4, 2004 Examiner hearings.

Very truly yours,


William F. Carr

Enclosures

cc: Patrick J. Tower
EOG Resources, Inc.
Post Office Box 2267
Midland, Texas 79702

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

2009 OCT 13 AM 9 18

IN THE MATTER OF THE APPLICATION
OF EOG RESOURCES, INC. FOR
COMPULSORY POOLING AND
HORIZONTAL DRILLING, EDDY
COUNTY, NEW MEXICO.

CASE NO. 13368

APPLICATION

EOG RESOURCES, INC., ("EOG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in the Abo and Wolfcamp formations in the W/2 of Section 22, Township 17 South, Range 24 East, N.M.P.M., Eddy County, New Mexico to form a 320-acre project area for a horizontal well and in support of its application states:

1. EOG is a working interest owner in the W/2 of said Section 22 and has the right to drill thereon.

2. EOG proposes to dedicate the above-referenced pooled project area to its Nile 22 State Com Well No. 1H to be drilled from a surface location 660 feet from the South line and 1880 feet from the West line to a depth of approximately 5200 feet and then in a north northwesterly direction approximately 4022 feet in the upper Wolfcamp formation to a bottomhole location 760 feet from the North and West lines of said Section 22.

3. EOG has sought and been unable to obtain a voluntary agreement for the development of these lands from certain working interest owners in the subject spacing units who are identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

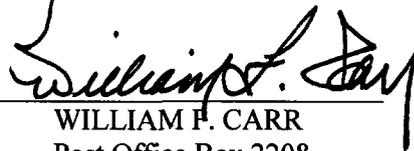
5. In order to permit the EOG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and EOG Resources, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 4, 2004 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject project area,
- B. designating EOG Resources, Inc. operator of this project area and the well to be drilled thereon,
- C. authorizing EOG Resources, Inc. to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a 200% penalty for the risk assumed by EOG Resources, Inc. in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,
HOLLAND & HART LLP

By:



WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR EOG RESOURCES, INC.

EXHIBIT A

**APPLICATION OF
EOG RESOURCES, INC.
FOR COMPULSORY POOLING AND HORIZONTAL DRILLING
W/2 OF SECTION 22, TOWNSHIP 17 SOUTH, RANGE 24 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO.**

Capstone Oil & Gas Company, LP
Post Office Box 10181
Midland, Texas 79702-7187

Parallel Petroleum Corporation
Post Office Box 10587
Midland, Texas 79702-7587

CASE 13366:

Application of EOG Resources, Inc. for compulsory pooling and Horizontal drilling drilling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in the Abo and Wolfcamp formations in the W/2 of Section 22, Township 17 South, Range 24 East, N.M.P.M., Eddy County, New Mexico to form a 320-acre project area for a horizontal well. Said units are to be dedicated to its Nile 22 State Com Well No. 1H to be horizontally drilled from a surface location 660 feet from the South line and 1880 feet from the West line to a depth of 5200 feet and then in a north northwesterly direction for approximately 4022 feet in the upper Wolfcamp formation to a bottomhole location 760 feet from the North and West lines of said Section 22. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of EOG Resources, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 8 miles west of Artesia, New Mexico.



October 14, 2004

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO ALL AFFECTED INTEREST OWNERS

Re: Application of EOG Resources, Inc. for compulsory pooling and horizontal drilling, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that EOG Resources, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests in the Abo and Wolfcamp formations in the W/2 of Section 22, Township 17 South, Range 24 East, N.M.P.M., Eddy County, New Mexico to form a 320-acre project area for a horizontal well. Said pooled project area is to be dedicated to the EOG Resources, Inc. Nile 22 State Com Well No. 1H to be horizontally drilled from a surface location 660 feet from the South line and 1880 feet from the West line to a depth of approximately 5200 and then be drilled in a north northwesterly direction approximately 4022 feet in the upper Wolfcamp formation. The well will be at a standard setback from the outer boundary of the dedicated project area.

This application has been set for hearing before a Division Examiner on November 4, 2004. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr
ATTORNEY FOR EOG RESOURCES, INC.

cc:
Patrick J. Tower
EOG Resources, Inc.