

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

IN THE MATTER OF THE APPLICATION
OF EOG RESOURCES, INC. FOR A
NON-STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 75025

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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, for an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the E/2 SE/4 of Section 22, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and the E/2 NE/4 of Section 27, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; and (2) pooling all mineral interests in the Red Hills; Bone Spring Upper Shale Pool underlying this acreage. In support of its application, EOG states:

1. EOG (OGRID No. 7377) is a working interest owner in the E/2 SE/4 of said Section 22, and the E/2 NE/4 of said Section 27, and has the right to drill thereon.
2. EOG proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Ophelia 27 1H Well**, which will be horizontally drilled from a surface location in the SE/4 NE/4 of said Section 27 to a standard bottom hole location in the NE/4 NE/4 of said Section 22. The completed interval for this well will be within the 330-foot standard offset required by the Division's rules.

3. EOG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

5. In order to permit EOG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and EOG Resources, Inc., should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 11, 2013, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a non-standard spacing and proration unit in the Red Hills; Bone Spring Upper Shale Pool formation comprised of the E/2 SE/4 of Section 22, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and the E/2 NE/4 of Section 27, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating EOG Resources, Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing EOG Resources, Inc. to recover its costs of drilling, equipping and completing the well;

- E. 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
- F. 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,

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ATTORNEYS FOR EOG RESOURCES, INC.

CASE 15025

Application of EOG Resources, Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the E/2 SE/4 of Section 22, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and the E/2 NE/4 of Section 27, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; and (2) pooling all mineral interests in the Red Hills; Bone Spring Upper Shale Pool underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Ophelia 27 1H Well**, which will be horizontally drilled from a surface location in the SE/4 NE/4 of said Section 27 to a standard bottom hole location in the NE/4 NE/4 of said Section 22. The completed interval for this well will be within the 330-foot standard offset required by the Division's rules. 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 25 miles southwest of Jal, New Mexico.