

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

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APPLICATION OF EOG RESOURCES, INC. FOR CREATION OF NON-STANDARD SPACING AND PRORATION UNITS IN THE BONE SPRINGS FORMATION AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. ~~11527~~
151296

APPLICATION

EOG RESOURCES, INC., ("EOG") through its undersigned attorneys, hereby files this application with 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 spacing and proration unit comprised of the E/2 SE/4 of Section 22 and the E/2 NE/4 of Section 27, Township 26 South, Range 33 East, for all formations and/or pools developed on 40-acre and 80-acre spacing from the surface to the base of the Bone Spring formation, which includes the Red Hills; Upper Bone Spring Shale Pool (Pool Code 97900) and Red Hills; Lower Bone Spring Pool (Pool Code 97903); (2) pooling all uncommitted mineral interests in these non-standard spacing units; and (3) pooling all uncommitted mineral interests in the SE/4 of Section 22 and the NE/4 of Section 27, Township 26 South, Range 33 East, to form a standard 320-acre gas spacing and proration unit in the Wolfcamp formation and the Salado Draw Wolfcamp Gas Pool (Pool Code 84410) in Lea County, New Mexico. In support of its application, EOG states:

1. EOG Resources, Inc. (OGRID No. 7377) is a working interest owner in the SE/4 of Section 22 and the NE/4 of Section 27, Township 26 South, Range 33 East and has the right to drill thereon.

2. EOG proposes to dedicate the above-referenced spacing and proration units as the project areas for its proposed **Ophelia 27 #701H Well**, which will be horizontally

drilled from a surface location in the SE/4NE/4 (Unit H) of Section 27 to a bottom hole location in NE/4SE/4 (Unit I) of Section 22. The completed interval for this well will commence in SE/4NE/4 (Unit H) of Section 27 and remain within the 660-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC for gas wells and the 330-foot setbacks required by the Statewide Rules for oil wells.

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.

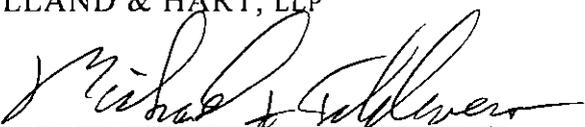
WHEREFORE, EOG requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 1, 2014, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a non-standard 160-acre spacing and proration unit comprised of the E/2 SE/4 of Section 22 and the E/2 NE/4 of Section 27, Township 26 South, Range 33 East, for all formations and/or pools developed on 40-acre and 80-acre spacing from the surface to the base of the Bone Spring formation, which includes the Red Hills; Upper Bone Spring Shale Pool (Pool Code 97900) and Red Hills; Lower Bone Spring Pool (Pool Code 97903);

- B. Pooling all uncommitted mineral interests in these non-standard spacing units;
- C. Pooling all uncommitted mineral interests in the SE/4 of Section 22 and the NE/4 of Section 27, Township 26 South, Range 33 East, to form a standard 320-acre gas spacing and proration unit in the Wolfcamp formation and the Salado Draw Wolfcamp Gas Pool (Pool Code 84410)
- D. Designating EOG Resources, Inc. operator of these spacing and proration units and the horizontal well to be drilled thereon;
- E. Authorizing EOG to recover its costs of drilling, equipping and completing the well;
- F. 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
- G. Imposing a 200% penalty for the risk assumed by EOG 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

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Application Of EOG Resources, Inc. For Creation Of Non-Standard Spacing And Proration Units In The Bone Springs Formation And Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the E/2 SE/4 of Section 22 and the E/2 NE/4 of Section 27, Township 26 South, Range 33 East, for all formations and/or pools developed on 40-acre and 80-acre spacing from the surface to the base of the Bone Spring formation, which includes the Red Hills; Upper Bone Spring Shale Pool (Pool Code 97900) and Red Hills; Lower Bone Spring Pool (Pool Code 97903); (2) pooling all uncommitted mineral interests in these non-standard spacing units; and (3) pooling all uncommitted mineral interests in the SE/4 of Section 22 and the NE/4 of Section 27, Township 26 South, Range 33 East, to form a standard 320-acre gas spacing and proration unit in the Wolfcamp formation and the Salado Draw Wolfcamp Gas Pool (Pool Code 84410) in Lea County, New Mexico. Said spacing and proration units will be dedicated to applicant's proposed **Ophelia 27 701H Well**, which will be horizontally drilled from a surface location in the SE/4NE/4 (Unit H) of Section 27 to a bottom hole location in the NE/4SE/4 (Unit I) of Section 22. The completed interval for this well will commence in SE/4NE/4 (Unit H) of Section 27 and remain within the 660-foot standard offset required by the Statewide Rules for gas wells and the 330-foot setbacks required by the Statewide Rules for oil wells. 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 Resource, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 4.5 miles Southwest of Royce, New Mexico.