

Ocean Munds-Dry Associate omundsdry@hollandhart.com

	June 6, 2006	2006 JUN
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Mark E. Fesmire, P. E.		Ρ m
Director	1774	5
Oil Conservation Division	0 (5'	
New Mexico Department of Energy,	Case (3741	32
Minerals and Natural Resources		

Re: Application of EOG Resources Inc. for an Unorthodox Well Location, Eddy County, New Mexico.

Dear Mr. Fesmire:

1220 South Saint Francis Drive Santa Fe, New Mexico 87505

Enclosed is the Application of EOG Resources Inc. in the above-referenced case as well as a copy of a legal advertisement. EOG requests that this application be placed on the docket for the July 6, 2006 Examiner hearings.

Sincerely,

Ocean Munds-Dry

Enclosures

cc: Rick Lanning (w/enclosures)

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

IN THE MATTER OF THE APPLICATION OF EOG RESOURCES, INCORPORATED FOR AN UNORTHODOX WELL LOCATION, EDDY COUNTY, NEW MEXICO.

APPLICATION

Pm

EOG RESOURCES, INC., ("EOG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of Division Rule 104(F)(2), for an order authorizing an unorthodox well location for its Rhine 13 Federal Well No. 1 ("Rhine well") to be re-entered and completed from the Wolfcamp formation 1680 feet from the South line and 150 feet from the East line (Unit I) of Section 13, Township 17 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre spacing and proration unit comprised of the S/2 of Section 13 will be dedicated to the well. In support of its application, EOG states:

1. EOG drilled the Rhine 13 Federal Well No. 1 as a vertical well 150 feet from the East line of Section 13 to monitor the frac job on the EOG Yukon 18 Fed Com Well No. 1H ("Yukon well") located immediately to the east in Section 18.

2. EOG's initial plans were to come uphole after the Yukon had been frac'd and kick out of the wellbore and horizontally drill in the Wolfcamp formation. The proposed lateral was to enter the Wolfcamp formation at a standard location.

3. The Yukon well is a poor well as is another EOG well drilled to the west of the Rhine well. It therefore appears to be uneconomic to drill a lateral in the Rhine well and EOG now seeks to complete the Rhine well as a vertical well to test the Wolfcamp formation. EOG will not utilize this wellbore to drill a horizontal wellbore.

4. This location in the Wolfcamp formation is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The well is 150 feet, or 510 feet too close, to the east line of the dedicated acreage.

5. EOG originally sought approval of this application administratively but was told to re-apply through the Division's hearing procedure.

6. The well encroaches only on acreage operated by EOG in which the ownership is identical to the ownership under the proposed drill site. Accordingly, there are no affected parties to whom this application needs to be provided.

7. Granting of this application is necessary to prevent waste and protect correlative rights.

WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 6, 2006 and, after notice and hearing as required by law, the Division enter its order approving the unorthodox well location of the Rhine 13 Federal Well No. 1 to be drilled as a vertical well in Section 13, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico.

> Respectfully submitted, HOLLAND & HART LLP

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

ATTORNEYS FOR EOG RESOURCES, INC.

CASE 374: Application of EOG Resources, Inc. for Approval of an Unorthodox Well Location, Eddy County, New Mexico. Applicant in the above-styled cause seeks authorization for an unorthodox well location for its Rhine 13 Federal Well No. 1 (API No. 30-015-34184) to be re-entered and completed from the Wolfcamp formation 1680 feet from the South line and 150 feet from the East line (Unit I) of Section 13, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico. Said well will be dedicated to a standard 320-acre spacing and proration unit comprised of the S/2 of Section 13. Said well is located approximately 7 miles west of Artesia, New Mexico.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor

Joanna Prukop Cabinet Secretary May 19, 2006

Mark E. Fesmire, P.E. Director Oil Conservation Division

EOG Resources, Inc. c/o Holiand & Hart LLP P. O. Box 2208 Santa Fc. New Mexico 87504-2208

Attention: Mts. Ocean Munds-Dry

RE: Administrative application (**Division Administrative Application Reference No. pTDS0-612360241**) for EOG Resources, Inc.'s existing Rhine "13" Federal Well No. 1 (**API No. 30-015-34184**) located at an unorthodox Wolfcamp gas well location 1680 feet from the South line and 150 feet from the East line (Unit I) of Section 13, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, within the S/2 of Section 13, being a standard 320-acre lay-down deep gas spacing unit for the Undesignated Northeast Collins Ranch-Wolfcamp Gas Pool (**96623**).

Dear Ms. Munds-Dry:

I have reviewed your application and the Division's records, due to the number of questionable variables with the drilling, placement, completion, and timing of this well I will not process this filing administratively. A few of my concerns include:

- (1) the well was drilled 10 months ago, is only 150 feet from the outer boundary of its proposed 320-acre spacing unit, and no attempt was made by FOG to obtain a location exception prior to the drilling of this well:
- (2) you state in your application that the U.S. Bureau of Land Management request LOG move from a "standard location" due to topographic concerns; however, no support data was presented; and
- (3) EOG in re-classifying this well as a "monitor well," subjects it to the Division's Stratigraphic Test-Hole policy, see copy attached.

Your administrative application is hereby *denied* and is being returned to you. Should EOG elect not to abide by the Division's Stratigraphic Test-Hole policy, you may reapply through the Division's hearing procedure.

Thank you.

Succeeb.

Michael F. Stogner Staff Petroleum Engineer

MS me

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13741</u> Exhibit No. 2 Submitted by: <u>EOG Resources, Inc.</u> Hearing Date: <u>July 6, 2006</u>

(cc) New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Monagement - Carlsbad



Ocean Munds-Dry omundsdry@hollandhart.com

May 3, 2006

HAND-DELIVERED

Mark E. Fesmire, P.E. Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources 1220 South Saint Francis Drive Santa Fe, New Mexico 87505 BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13741</u> Exhibit No. 1 Submitted by: <u>EOG Resources, Inc.</u> Hearing Date: <u>July 6, 2006</u>

Re: Application of EOG Resources, Inc. for Administrative Approval of an Unorthodox Well Location for its Rhine "13" Federal Well No. 1, from a location 1680 feet from the South line and 150 feet from the East line of Section 13, Township 17 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Fesmire:

EOG Resources, Inc. ("EOG") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Rhine 13 Federal Well No. 1 to be re-entered and completed from the Wolfcamp formation at an unorthodox well location 1680 feet from the South line and 150 feet from the East line of Section 13, Township 17 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre spacing and proration unit comprised of the S/2 of Section 13 will be dedicated to the well.

This location in the Wolfcamp formation is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320-spacing units to be located not closer than 660 feet to the outer boundary of the quarter section on which the well is located. The well is 150 feet, or 510 feet too close, to the east line of the dedicated acreage.

This well was originally drilled by EOG as the vertical portion of a proposed horizontal Wolfcamp test. Prior to drilling the horizontal segment, it was utilized as a monitor well to study the frac job on the Yukon 18 Fed Com Well No. 1H immediately east in Section 18. Although EOG sought a standard location for the Rhine 13 Federal Well No. 1, the Bureau of Land Management requested that the location be moved because of topographical concerns. The study of the Yukon well has been completed and EOG has elected not to drill the horizontal segment and now proposes to complete the Rhine 13 Federal Well No. 1 as a vertical well to test the Wolfcamp formation. EOG will not utilize this wellbore to drill an additional horizontal wellbore in this section.

Attached hereto as **Exhibit A** is a plat which shows the subject area, the 320-acre spacing unit

Holland & Hart LLP

110. North Guadalupe: Suite 1: Santa Fe, NM: 37501: Mailing Address: F.O. Box: 2208: Santa Fe, NM: 37504-2208

- Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C 😚

HOLLAND&HART

comprised of all of the S/2 of Section 13 and the proposed unorthodox location. The well encroaches only on acreage operated by EOG in which the ownership is identical to the ownership under the drill site. Accordingly, there are no affected parties to whom this application needs to be provided.

Exhibit B is Division Form C-102 which shows the surveyed location for this well.

Your attention to this application is appreciated.

Sincerely, can Mund

Ocean Munds-Dry Attorney for EOG Resources, Inc.

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Enclosures

cc: Rick Lanning EOG Resources, Inc. Post Office Box 2267 Midland, Texas 79702 EOG Resources, Inc. Post Office Box 2267 Midland, Texas 79705

Attention: Rick Lanning

Administrative Order NSL-____

Dear Mr. Lanning:

Reference is made to your application dated May 3, 2006 for an unorthodox well location for a well to be re-entered and completed to the Wolfcamp formation for your proposed Rhine 13 Federal Well No. 1. Said well is to be re-entered and at a location 1680 feet from the South line and 150 feet from the East line of Section 13, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico.

A 320-acre spacing and protation unit in the Wolfcamp formation comprising the S/2 of said Section 13 is to be dedicated to said well.

By authority granted me under the provisions of Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described unorthodox well location is hereby approved.

Sincerely,

Mark E. Fesmire Director

cc: Oil Conservation Division - Hobbs/Artesia U. S. Bureau of Land Management - Carlsbad

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EXHIBIT A

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

State of New Mexico

Form C-102

Energy, Minerals, and Natural Resources Department

DISTRICT II 1301 W. Grand Avenue, Artesia, NM 88210

OIL CONSERVATION DIVISION 1220 South St. Francis Dr.

Revised August 15, 2000 Submit to Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	² Pool Code	³ Pool Name	
30-015-341	84 96623	UNDES COLLIN RANCH; WOLFCAMP NE	
⁴ Property Code		Property Name ⁶ Well Nu NE "13" FED 1	umber 1
⁷ OGRID No. 7 377	EOG R	Operator Name SEleva BSOURCES, INC. 360	

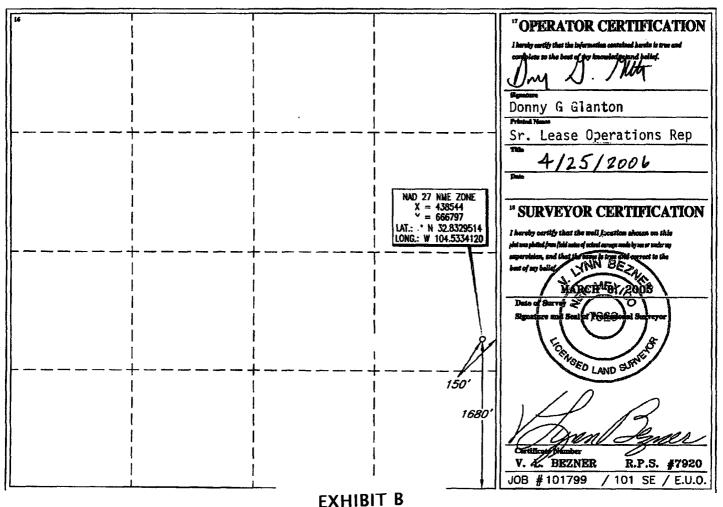
JO	Surface	Location
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Lot Idn Feet from the North/South line Feet from the East/West line County UL or lot no. Section Township Range I 13 17 SOUTH 24 EAST, N.M.P.M. 1680' SOUTH 150' EAST EDDY

Bottom Hole Location If Different From Surface

¹³ Dedicated Acres ¹³ Joint or Infill ¹⁴ Consolidation Code ¹⁵ Order No.	<u></u>

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



Sequence of Events Pertaining to Rhine 13 Fed #1 and Surrounding Wells

- 1. Rhine 13 Fed #1 spudded 7/22/05, vertical hole cemented 8/3/05.
- 2. Yukon 18 Fed Com #1H spudded 8/3/05, cemented lateral 9/2/05.
- 3. Frac conducted 10/2/05 on Yukon well using Pinnacle micro-seismic monitoring in Rhine 13 Fed #1.
- 4. Danube 14 Fee Com #2H spudded on 1/14/06, cemented lateral 3/10/06, and frac'ed 4/11/06.

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13741</u> Exhibit No. 3 Submitted by: <u>EOG Resources, Inc.</u> Hearing Date: July 6, 2006

DISTRICT J				
1475 N Branch	Dec.	Robhe.	NM	88240

DISTRICT II

State of New Mexico

Form C-102

Energy, Minerals, and Natural Resources Department

Revised August 15, 2000 Submit to Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

1220 South St. Francis Dr. Santa Fe, New Mexico 87505

AMENDED REPORT

DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

1301 W. Grand Avenue, Artesta, NM 88210

WELL LOCATION AND ACREAGE DEDICATION PLAT

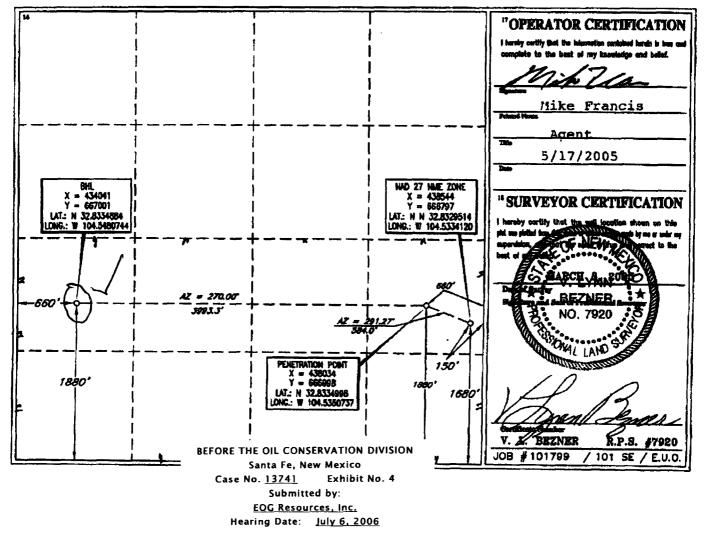
OIL CONSERVATION DIVISION

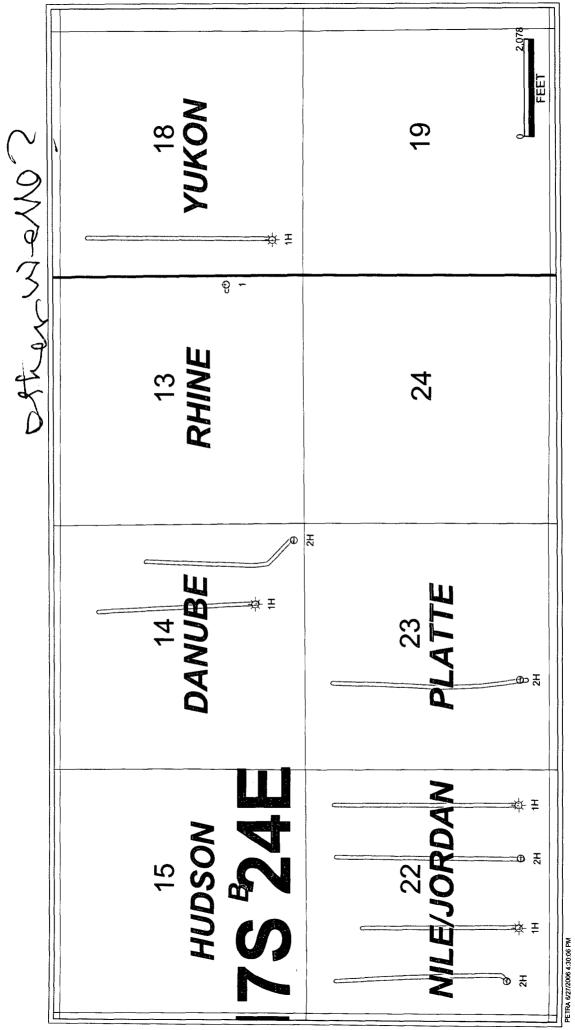
API Number	² Pool Code	9 Pool Name	
		Wildcat	
* Property Code		Property Name	Well Number
	RH	INE "13" FED	1H
OGRID No.		a Opurator Name	" Elevation
7377	EOG	RESOURCES, INC.	3666'

Surface Location									
UL or lot no.	Section	Township	Range	Let Ide	Fest from the	North/South line	Feet from the	East/West Has	County
I	13	17 SOUTH	24 EAST, N.M.P.M.		1680'	SOUTH	150'	BAST	EDDY

Bottom Hole Location If Different From Surface									
VL or lot so.	Section	Tewnship	Range	Let Ma	Feet from the	North/South Has	Feet from the	East/West line	County
	13	17 SOUTH	24 EAST, N.M.P.M.		1880'	SOUTH	8 60'	WEST	EDDY
D Dedlented Acres	در در ا	lat or infill	14 Conselidation Code	¹⁸ Order N	io.				
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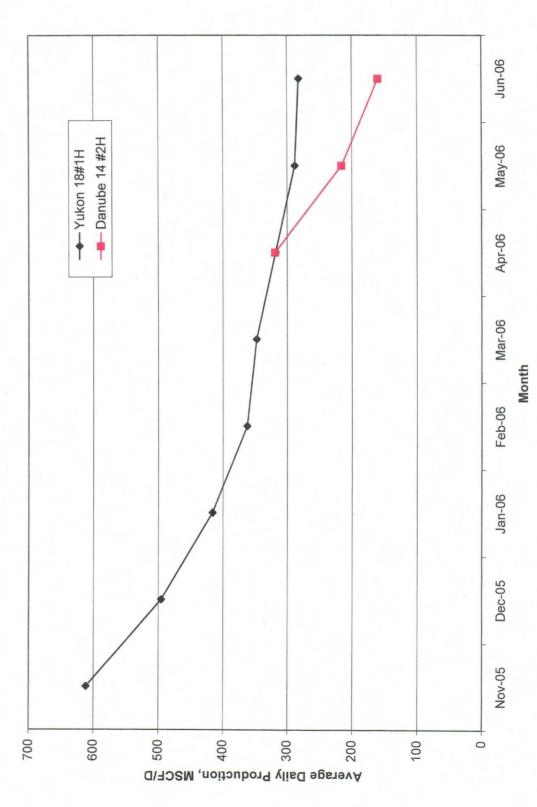
NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



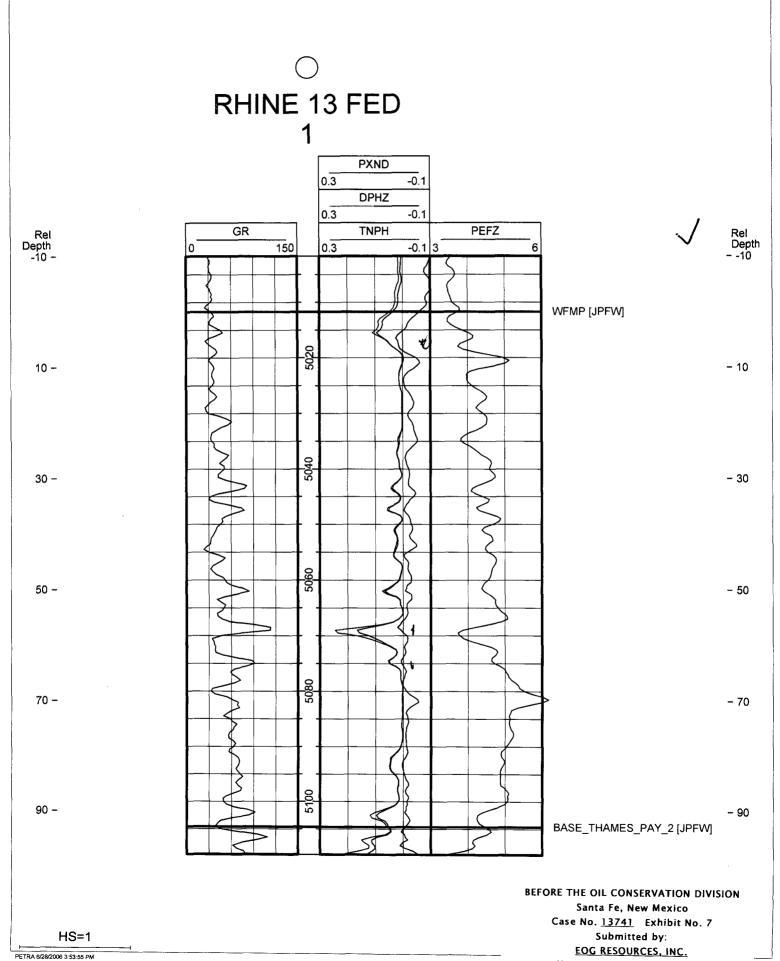


BEFORE THE OIL CONSERVATION DIVISION Case No. 13741 Exhibit No. 5 Hearing Date: July 6, 2006 Santa Fe, New Mexico EOG RESOURCES, INC. Submitted by:

Average Daily Gas Production Rates Yukon 18 Fee #1H and Danube 14 Fed Com #2H



BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13741</u> Exhibit No. 6 Submitted by: <u>EOC RESOURCES. INC.</u> Hearing Date: <u>July 6, 2006</u>



Hearing Date: July 6, 2006

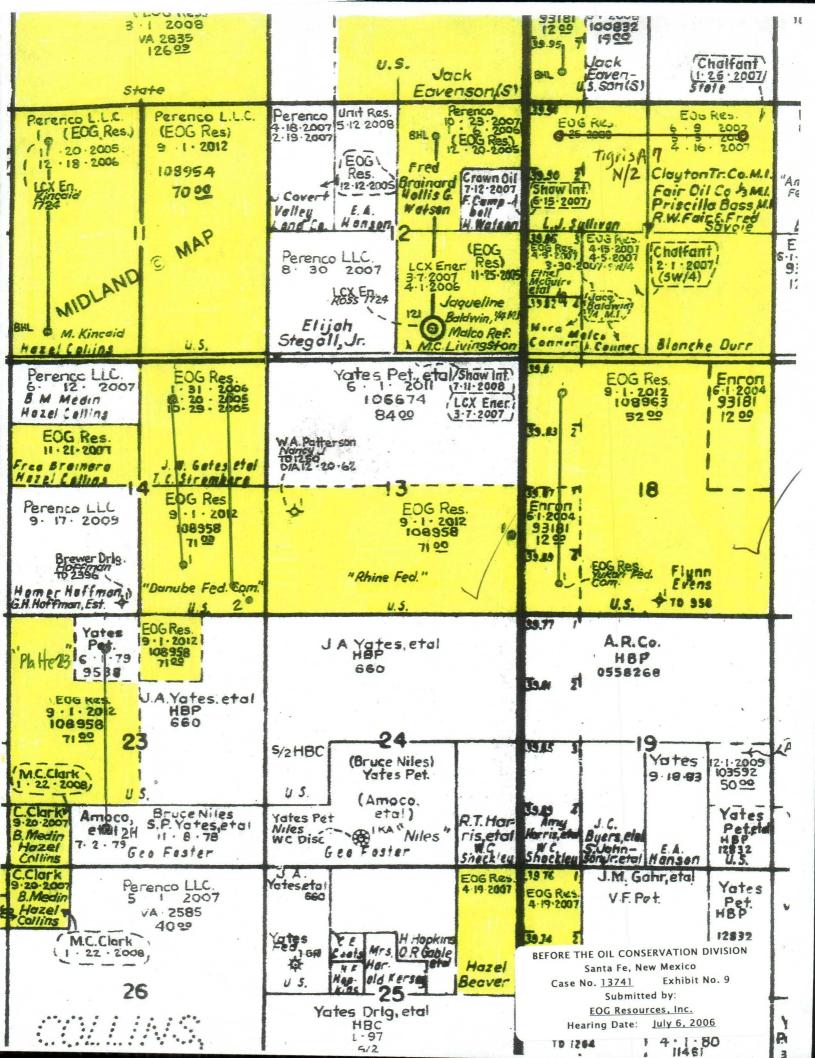
Horizontal WellStimulate Vertical WellEst. Ultimate Recovery, MCFE486229Rate of Return, %975AFIT Present Worth , M\$-28241

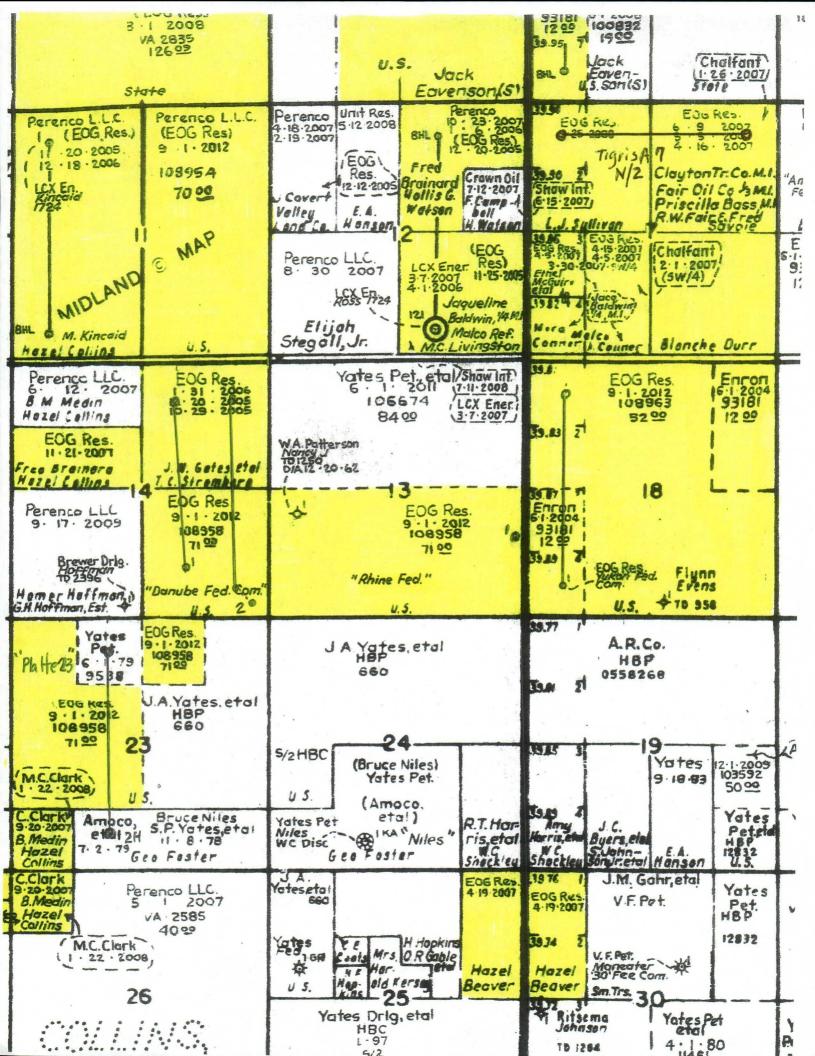
Rhine 13 Fed #1 Time Forward Economics (Unrisked)

Rhine 13 Fed #1 Time Forward Economics (Risked, 0%)	POS)
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	Horizontal Well	Stimulate Vertical Well
Est. Ultimate Recovery, MCF	'E 486	229
Rate of Return, %	0	46
AFIT Present Worth, M\$ (10% Discount Factor)	-327	145

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13741</u> Exhibit No. 8 Submitted by: <u>EOG Resources, Inc.</u> Hearing Date: <u>July 6, 2006</u>





BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>13741</u> Exhibit No. 10 Submitted by: <u>EOG Resources, Inc.</u> Hearing Date: <u>July 6, 2006</u>		F S ENE A I D
Affidavit of Publication	Copy of	OIL.
STATE OF NEW MEXICO		The Mexic Conse
County of Eddy:		hereby suant Rules
Gary D. Scott being duly		the Diving pu held
sworn,says: That he is the Publisher of The		July 6 Conse Hearin
Artesia Daily Press, a daily newspaper of general		South Fe, No an exa
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and county and state, and that the here to attached		ot a . qulified
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Subscribed and sworn to before me this		dox Eddy C
9th Day June 2006		ico. above-s seeks
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Notary Public, Eddy County, New Mexico My Commission expires September : 23, 2007		eral We 30-015 re-ente pleted Wolfcar
		1680 fe line and the East Section South, NMPM,

IDENCE OF IDENCATION ATE OF NEW MEXICO GY, MINERALS D NATURAL ESOURCES PARTMENT DNSERVATION DIVISION ANTA FE, W MEXICO W MEXICO State of New through its Oil vation Division gives notice pur-to law and the nd Regulations of sign of the follow-lic hearing to be t 8:15 A.M. on 2006, in the Oil vation Division Room at 1220 St. Francis, Santa: v Mexico, before tiner duly appoint iner duly appoint hearing. If you individual with a individual with a who is in need aader, amplifier, sign language in-r, or any other: auxiliary aid or to attend or par-in the hearing, xontact: Florene n at contact: Florene at -3458 or through w Mexico Relay w o r k 59-1779 by June 6. Public docu-including the and minutes, can ided in various ded in various le forms. contact Florene contact Florene if a summary type of accessi-is needed. TE OF NEW. EXICO TO: eed partles and is having any title, interest laim in the wing cases wing cases notice to the All land de-herein refer to Mexico Principal whether or not) 741: on of EOG Reion of EOG Re-, Inc. for Ap-of an unortho-ell Location, unty, New Mex-oplicant in the yied cause uthorization for odox well loca-a Rhine 13 Fed-No. 1 (API No. 4184) to be d and com-from the oformation 30-015-34184) to be re-entered and com-pleted from the Wolfcamp formation 1680 fest from the South line and 150 feet from the East line (Unit I) of Section 13, Township 17 South, Range 24 East, NMPM; Eddy County, New Mexico. Said well will be dedicated to a standard 320-acre spac-ing and proration unit comprised of the S/2 of Section 13. Said well is located approximately 7 miles west of Artesia, New Mexico. Given under the Seal of the State of New Mexi-co Oil Conservation Commission at Santa Fe, New Mexico on this 7th day of June 2006. STATE OF NEW MEXICO OIL CONSERVATION Mark E. Fesmire, P.E., Director Published in the Artesia, N.M. June 9, 2006. Legal 19288