

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 14093
ORDER NO. R-12947**

**APPLICATION OF EOG RESOURCES, INC. FOR APPROVAL OF A NON-STANDARD
OIL SPACING AND PRORATION UNIT, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing at 8:15 a.m. at Santa Fe, New Mexico on February 21, 2008 before Examiners William V. Jones and David Brooks and again on March 20, 2008 before Examiner Richard Ezeanyim.

NOW, on this 20th day of May, 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The applicant, EOG Resources, Inc. ("applicant" or "EOG"), seeks to create a 40-acre, non-standard oil spacing and proration unit in the Undesignated North Lovington-Wolfcamp Pool (96625) consisting of the NE/4 NW/4 of Section 15, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) EOG proposes to re-complete its Purple Humpy 15 Well No. 1 (API No. 30-025-36089) from the Strawn formation to the Wolfcamp formation to produce oil from the North Lovington-Wolfcamp Pool at a standard bottomhole oil well location within this pool, 396 feet from the North line and 1964 feet from the West line of Section 15. The Purple Humpy 15 Well No. 1 is located on the surface at 851 feet from the North line and 758 feet from the West line of Section 15 and has been drilled at a slant to this bottomhole location. The well is located on the southern edge of the City of Lovington.

(4) The North Lovington-Wolfcamp Pool is governed by Special Pool Rules created in Case 11675 with Order No. R-10735-A. These Special Rules state that the Wolfcamp oil shall be spaced on 80-acre oil spacing and proration units with wells located within 150 feet of the center of the quarter-quarter section in which the well is located. These rules provide for non-standard spacing units to be formed after notice is provided "to all offsetting operators."

(5) Division Rule 1210A.(3) requires applications for non-standard spacing units to be accompanied by notice to all parties being excluded from what would have been a standard spacing unit.

(6) No other parties entered an appearance in this case or otherwise opposed the application. The case was heard on February 21st and continued to March 20, in order to ensure all required notice was provided.

(7) EOG presented exhibits and testimony from a landman, a geologist, and an engineer showing the following:

(a) This well was drilled in a slant to this bottomhole position in order to produce from the Strawn and from the Wolfcamp at standard oil well locations.

(b) The Wolfcamp formation is a fractured carbonate (limestone or dolomite). This well site is risky but in a favorable structural position and should be above the oil-water contact. EOG believes it is worth attempting as a re-completion of an existing well.

(c) EOG believes the Wolfcamp oil in this area is a bottom water drive (fractured reservoir) with an analogous well which recovered approximately 21 percent ultimate primary on 40-acre spacing. The proposed well is therefore predicted to drain no more than 40 acres. There is no need for an 80-acre spacing unit as mandated in the Special Pool Rules for the nearest Wolfcamp oil pool.

(d) EOG originally wished to create a 40-acre Wolfcamp oil spacing unit identical to the existing Strawn spacing unit. EOG no longer wishes to downhole commingle these two intervals, but still wishes to create this non-standard Wolfcamp oil spacing unit.

(e) EOG has provided notice to all offset operators as required in the Special Pool Rules and has also provided notice to all affected parties as specified in Division Rule 1210A.(3). The excluded parties are those owning interests in the NW/4 NW/4 or the SE/4 NW/4 of Section 15. Notice was provided to these parties even though the testimony was that these owners - at least for the N/2 NW/4 - were also the same as the owners in the well site (NE/4 NW/4).

(8) The Special Pool Rules for the North Lovington-Wolfcamp Pool requiring 80-acre spacing units were created after testimony at hearing concerning the Wolfcamp formation within Section 11 to the northeast of this location. The oil spacing unit sizes for Wolfcamp pools across southeast New Mexico vary with changes in the reservoir, the rocks, and the ownership - they are spaced on 40, 80, or even 160-acre units. These rules for the North Lovington-Wolfcamp Pool do not prohibit additional wells to be drilled in any 80-acre spacing and proration unit.

(9) The applicant in this case has presented evidence that allowing the formation of this 40-acre non-standard spacing and proration unit over the NE/4 NW/4 of Section 15 will prevent waste and protect the correlative rights of included and excluded owners.

(10) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of EOG Resources, Inc. ("applicant") to form a non-standard 40-acre oil spacing and proration unit within the Undesignated North Lovington-Wolfcamp Pool

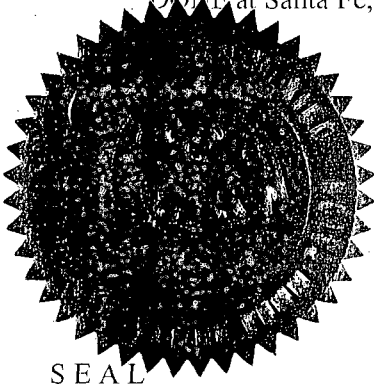
(96625) consisting of the NE/4 NW/4 of Section 15, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) The 40-acre non-standard spacing unit shall be dedicated to applicant's proposed Purple Humpy 15 Well No. 1 (API No. 30-025-36089), to be operated by EOG (OGRID 7377).

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



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A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director