

Stan Wagner

From: Charles Moran
Sent: Thursday, March 15, 2018 6:22 PM
To: McMillan, Michael, EMNRD
Cc: Stan Wagner
Subject: RE: Surface commingling application - Convoy
Attachments: EOG - Convoy 28 State Wells Plat.pdf

Categories: Red Category

Mike: I am assuming you are referring to the plat I attached to this email. There are several moving parts here and it was difficult to draw up so I will gladly explain. First it helps to understand the history of wells drilled. Prior to the merger with Yates, the wells drilled were one mile laterals on a lease basis and after the merger with Yates, EOG drilled and continues to drill 2 mile laterals which require communitization. This presented me a problem when we drilled the first two mile lateral in the same formation into spacing units with one mile none completed wells (DUCs). The resolution with the NMSLO, working interest owners and override owners was that the communitization agreement for the Convoy 28 State Com #501 H, a two mile lateral excluded the drilled DUC's which were one mile lateral. They would be treated as lease wells.

Two mile wells:

Convoy 28 State Com #501H– Bone Spring – E/2E/2 Secs. 28 & 33
Convoy 28 State Com #701H- Wolfcamp– E/2E/2 Secs. 28 & 33
Convoy 28 State Com #702H-Wolfcamp. – E/2E/2 Secs. 28 & 33

One mile wells (color based)

Caravan BVV State #6H – Bone Spring – W/2 Sec. 28
Caravan BVV State #7H– Bone Spring – W/2 Sec. 28
Caravan BVW State #8H– Bone Spring – W/2 Sec. 33
Caravan BVW State #9H– Bone Spring- W/2 Sec. 33
Caravan BVX State #10H– Bone Spring – E/2 Sec. 33
Caravan BVX State #11H– Bone Spring – E/2 Sec. 33
Convoy BUC State #1H– Bone Spring – E/2 Sec. 28
Convoy BUC State #2H. – Bone Spring – E/2 Sec. 28

Thus to answer your questions directly:

- Wells in W/2E/2 are bone spring wells, one mile lateral producing on lease basis.
- The bone spring communitization agreement only covers E/2E/2 of Sec. 28 & 33, but specifically excludes the wellbores of the one mile lateral wells.
- The wolfcamp communitization agreement is E/2E/2 of Sec. 28 & 33. Current spacing for oil WC oil is 40 acres in Lea County.

As for future wells, EOG is going to need additional facilities and they will be taken to that. Per your discussion with Stan, I am almost finished sending up the commingling application for the additional facilities.

If you have any other questions, please let me or Stan know.

PS: I am out tomorrow as Father Time is ticking of one more year for me.

Chuck Moran
EOG Resources, Inc. - Midland Division
432-686-3684

From: McMillan, Michael, EMNRD [mailto:Michael.McMillan@state.nm.us]
Sent: Thursday, March 15, 2018 5:29 PM
To: Stan Wagner <Stan_Wagner@eogresources.com>
Cc: Charles Moran <Charles_Moran@eogresources.com>
Subject: RE: Surface commingling application - Convoy

** External email. Use caution.**

Chuck:

I am confused by the drawing and your explanation of the wells in the E/2 of Section 28 and Section 33. Your explanation below the drawing of the commingling application state that the E/2 E/2 of 28 and E/2 E/2 of Section 28 and Section 33 is subject to a Communitization Agreement. But what about the wells on the W/2 E2 of Section 28 and W/2 E/2 of Section 33. Restated does the Communitization agreement cover the entire E/2 of those Sections? If the Com agreement covers that portion then you can add wells in the E/2 by Sundry notice only.

Be nice I am a State employee

Mike

From: McMillan, Michael, EMNRD
Sent: Friday, March 9, 2018 11:57 AM
To: 'Stan Wagner' <Stan_Wagner@eogresources.com>
Subject: RE: Surface commingling application - Convoy

Snail mail me a copy

From: Stan Wagner [mailto:Stan_Wagner@eogresources.com]
Sent: Friday, March 9, 2018 11:54 AM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Subject: Surface commingling application - Convoy

Good afternoon Mike,

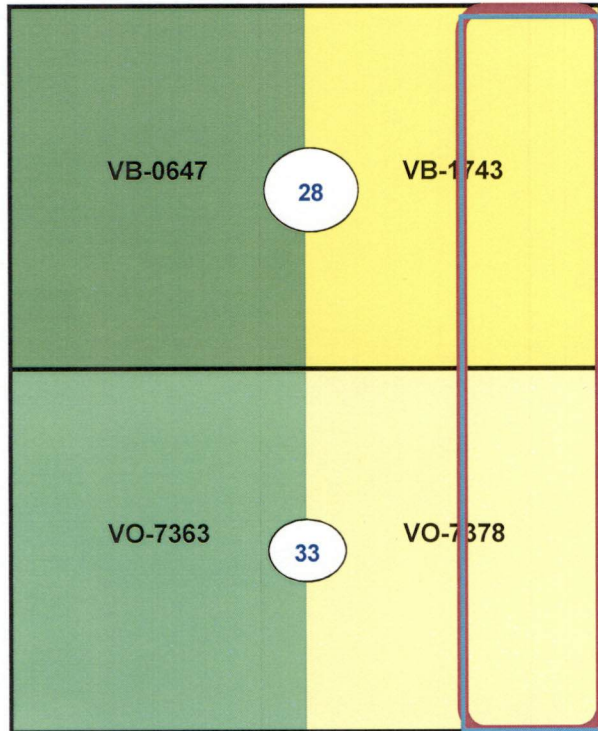
Attached is a new commingling application, this one diverse.

Thanks. Have a good weekend.

Stan

Commingling Application
EOG Resources, Inc.
March 9, 2018

T24S-R33E, Lea County, NM



Communitized Area - Bone Spring Formation - E/2E/2 Sec 28 and E/2E/2 Sec 33
1. Convoy 28 State Com #501H

Communitized Area - Wolfcamp Formation - E/2E/2 Sec 28 and E/2E/2 Sec 33
1. Convoy 28 State Com #701H
2. Convoy 28 State Com #702H

Lease Based Wells
1. Caravan BVV State #6H
2. Caravan BVV State #7H

Lease Based Wells
1. Caravan BVW State #8H
2. Caravan BVW State #9H

Lease Based Wells
1. Caravan BVX State #10H
2. Caravan BVX State #11H

Lease Based Wells
1. Convoy BUC State #1H
2. Caravan BUC State #2H