

**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:**

**APPLICATION OF EOG RESOURCES, INC. FOR A UNIT AGREEMENT, LEA
COUNTY, NEW MEXICO.**

**CASE NO. 12329
ORDER NO. R-11388**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 18, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of May, 2000, the Division Director, having considered 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 its subject matter.
- (2) At the hearing, Division Cases No. 12329 and 12399 were consolidated for the purpose of testimony.
- (3) The applicant, EOG Resources, Inc. ("EOG"), seeks approval of its Red Hills North Unit Agreement for an area comprising 3,551.81 acres, more or less, of state and federal lands in Lea County, New Mexico, as further described in the attached Exhibit "A."
- (4) The unitized formation, as described within the Red Hills North Unit Agreement, is to include the interval identified as the Third Bone Spring Sand within the designated and Undesignated Red Hills-Bone Spring Pool that extends from a measured depth of 12,233 feet to 12,408 feet. Both depths (measured from the kelly drive bushing elevation of 3,430 feet above sea level) are identified on the Atlas Wireline Services Compensated Density - Neutron log run on June 24, 1994, in the Enron Oil & Gas Company Hallwood "12" Federal Well No. 6 (API No. 30-025-32527) located 1980 feet from the

North line and 660 feet from the East line (Unit H) of Section 12.

(5) Within the Red Hills North Unit Area, the applicant proposes to initiate secondary recovery operations (being the subject of companion Case No. No. 12399) and drill several horizontal wellbores/drainholes within this Third Bone Spring Sand.

(6) EOG has obtained 100 % voluntary joinder of the working and overriding royalty interests within the unit area. The U. S. Bureau of Land Management has indicated its preliminary approval by designating the unit as logical for conducting secondary recovery operations, and the New Mexico Commissioner of Public Lands, acting on behalf of the state's trust lands, has preliminarily approved the proposed unitization.

(7) No interested party appeared at the hearing or otherwise objected to the proposed unit agreement.

(8) All plans of development and operation, creation, expansion or contraction of participating areas, or expansions or contractions of the unit area should be submitted to the Division Director for approval.

(9) Approval of the proposed unit agreement promotes the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The application of EOG Resources, Inc. ("EOG") for approval of its Red Hills North Unit Agreement for an area comprising 3,551.81 acres, more or less, of state and federal lands in Lea County, New Mexico, as further described in the attached Exhibit "A," for the purpose of establishing secondary recovery operations and drilling several horizontal wellbores/drainholes, is hereby granted.

(2) The unitized formation, as described within the Red Hills North Unit Agreement, shall include that interval identified as the Third Bone Spring Sand within the designated and Undesignated Red Hills-Bone Spring Pool that extends from a measured depth of 12,233 feet to 12,408 feet. Both depths (measured from the kelly drive bushing elevation of 3,430 feet above sea level) are identified on the Atlas Wireline Services Compensated Density - Neutron log run on June 24, 1994, in the Enron Oil & Gas Company Hallwood "12" Federal Well No. 6 (**API No. 30-025-32527**), located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 12.

(3) The plan contained in the unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

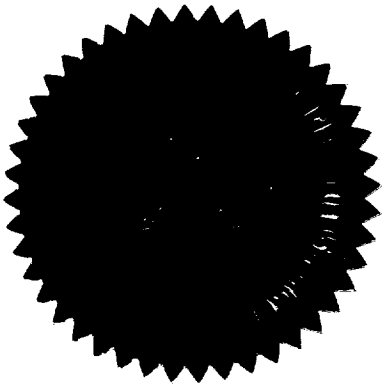
(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) All (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(6) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(7) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

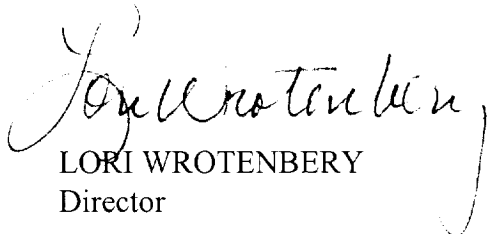

LORI WROTENBERY
Director

EXHIBIT "A"
CASE NO. 12329
ORDER NO. R-11388
EOG RESOURCES, INC.
RED HILLS NORTH UNIT AREA
LEA COUNTY, NEW MEXICO

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Section 1:	Lots 2 and 3, SW/4 NE/4, SE/4 NW/4, and S/2
Section 12:	All
Section 13:	N/2 and E/2 SE/4

TOWNSHIP 25 SOUTH, RANGE 34 EAST, NMPM

Section 6:	Lots 6 and 7, E/2 SW/4, and W/2 SE/4
Section 7:	All
Section 8:	W/2 SW/4
Section 17:	SW/4 NE/4, W/2, and W/2 SE/4
Section 18:	All.

<i>Federal lands:</i>	<i>3,475.81 acres</i>	<i>97.750161%</i>
<i>State lands:</i>	<i>80.00 acres</i>	<i>2.249839%</i>