

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



March 22, 2017

EOG Resources, Inc.
Attn: Ms. Jordan Kessler

ADMINISTRATIVE NON-STANDARD LOCATION, AND NON-STANDARD PRORATION
UNIT

Administrative Order NSL-7510
Administrative Order NSP-2060

EOG Resources, Inc.
OGRID 7377
Neptune 10 State Com. Well No. 701 H
API No. 30-025-43457

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	450' FSL & 381' FWL	M	10	24S	33E	Lea
Penetration Point	330' FSL & 361' FWL	M	10	24S	33E	Lea
Final perforation (Terminus)	1626' FNL & 344' FWL	E	3	24S	33E	Lea

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
SW/4 NW/4 of Section 3, W/2 SW/4 of Section 3, and W/2 W/2 of Section 10	40 80 160	WC-025 G-09 S243310P; Upper Wolfcamp	98135

Reference is made to your application received on March 2, 2017.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet

from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are less than 330 feet to the outside boundaries of the proposed project area.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that EOG Resources, Inc. is seeking this non-standard location due to mechanical difficulties while drilling the well. The down hole motor failed while drilling the well; consequently, the Applicant encroached on the NW/4 NW/4 of Section 3.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches. However, the affected party signed a waiver; therefore, the affected party waived any objection to this non-standard location.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit

You have also requested approval of a non-standard proration unit to be included in your proposed project area, as follows:

Units Comprising this Project Area

Unit	Acres	Pool	Pool Code
SW/4 NW/4 of Section 3,	40	WC-025 G-09 S243310P; Upper Wolfcamp	98135
W/2 SW/4 of Section 3, and	80		
W/2 W/2 of Section 10	160		

You have requested an exception pursuant to Rule 19.15.16.7.M NMAC, to approve a non-standard oil spacing and proration unit comprising 280-acres, consisting of the entire area described above as the Subject Unit or Project Area.

We understand that you are seeking this exception in order to allow you to create a 280-acre non-standard proration unit, comprised of the SW/4 NW/4 of Section 3, W/2 SW/4 of Section 3, and W/2 W/2 of Section 10, all in Township 24 South, Range 33 East, NMPM, Lea County, New Mexico.

It is our understanding that EOG Resources, Inc. is seeking this approval of this non-standard spacing unit due to mechanical difficulties while drilling the well. The down hole motor failed while drilling the well; consequently, the Applicant stopped short of developing the entire W/2 W/2 of Section 3. As a result, the NW/4 NW/4 of Section 3 was stranded.

Further, EOG stated it plans to permit and drill a well that will cross into the NW/4 NW/4 of Section 3. Therefore, no acreage will be stranded.

It is understood that you have given due notice of this application to all operators or owners to whom notice is required by Division Rule 19.15.4.12.A(3) NMAC. However, the affected party signed a waiver; therefore, the affected party waived any objection to this non-standard spacing unit.

Pursuant to the authority conferred by Division Rule 19.15.15.11.B(2), the above-described non-standard proration unit is hereby approved.

General provisions

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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 March 22, 2017.


DAVID R. CATANACH
Director

DRC/mam

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Oil, Gas, and Minerals