

July 23, 2004

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Francis Drive

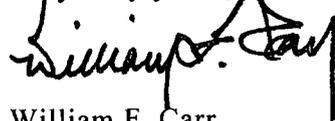
Santa Fe, New Mexico 87504

Re: Application of EOG Resources, Inc. for compulsory pooling and
directional drilling, Eddy County, New Mexico

Dear Mr. Fesmire:

Enclosed is the application of EOG Resources, Inc. in the above-referenced case as well as a copy of a legal advertisement. EOG Resources, Inc. requests that this matter be placed on the docket for the August 19, 2004 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Patrick J. Tower
EOG Resources, Inc.
Post Office Box 2267
Midland, Texas 79702

Case 13324

2004 JUL 23 PM 2 25

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

2009 JUL 23 PM 2:25

**IN THE MATTER OF THE APPLICATION
OF EOG RESOURCES, INC. FOR
COMPULSORY POOLING AND
DIRECTIONAL DRILLING, EDDY
COUNTY, NEW MEXICO.**

CASE NO. 13324 2

APPLICATION

EOG RESOURCES, INC., ("EOG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 32, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Winchester-Morrow Gas Pool, the Undesignated Winchester-Atoka Gas Pool, and the Undesignated Burton Flat-Strawn Gas Pool; and the NW/4 for all formations and/or pools developed on 160-acre spacing, and in support of its application states:

1. EOG is a working interest owner in the N/2 of said Section 32 and has the right to drill thereon.
2. EOG proposes to dedicate the above-referenced spacing or proration units to its State "32" Com. Well No. 2 to be drilled from a surface location 2404 feet from the North line and 1083 feet from the West line to a standard bottomhole gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 32, to a depth sufficient to test any and all formations in the pooled interval to the base of the Morrow formation. The well will be at a standard location in all formations subject to pooling.
3. EOG has sought and been unable to obtain a voluntary agreement for the development of these lands from certain working interest owners in the subject spacing units who are identified on Exhibit A to this application.

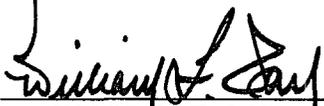
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the EOG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and EOG Resources, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 19, 2004 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating EOG Resources, Inc. operator of these units and the well to be drilled thereon,
- C. authorizing EOG Resources, Inc. to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a 200% penalty for the risk assumed by EOG Resources, Inc. in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,
HOLLAND & HART LLP

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

ATTORNEYS FOR EOG RESOURCES, INC.

EXHIBIT A

**APPLICATION OF
EOG RESOURCES, INC.
FOR COMPULSORY POOLING
N/2 OF SECTION 32, TOWNSHIP 19 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO.**

SDX Properties, Inc.
Post Office Box 5061
Midland, Texas 79704
Attention: Steve Sell

Jetta X-2, L.P.
777 Taylor Street, PI-D
Fort Worth, Texas 76102-4919
Attention: Joe Glazner

Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld, Suite 508
Midland, Texas, 79701
Attention: Sam Jolliffe

CASE 13324:

Application of EOG Resources, Inc. for compulsory pooling and directional drilling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing and proration units located in the N/2 of Section 32, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Winchester-Morrow Gas Pool, the Undesignated Winchester-Atoka Gas Pool, and the Undesignated Burton Flat-Strawn Gas; and the NW/4 for all formations and/or pools developed on 160-acre spacing. Said units are to be dedicated to its State "32" Com Well No. 2 to be directionally drilled from a surface location 2404 feet from the North line and 1083 feet from the West line to a standard bottomhole gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 32, to a depth sufficient to test any and all formations in the pooled interval to the base of the Morrow formation. The well will be at a standard location in all formations. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of EOG Resources, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 11 miles northeast of Carlsbad, New Mexico.



July 23, 2004

CERTIFIED MAIL - RETURN RECEIPT REQUESTED**ALL AFFECTED INTEREST OWNERS**

Re: Application of EOG Resources, Inc. for compulsory pooling and directional drilling, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that EOG Resources, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests from the surface to the base of the Morrow formation in the N/2 of Section 32, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. EOG proposes to dedicate the referenced pooled units to its State "32" State Com Well No. 2 to be directionally drilled from a surface location 2404 feet from the North line and 1083 feet from the West line to a standard bottomhole gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 32, to a depth sufficient to test any and all formations in the pooled interval to the base of the Morrow formation. The well will be at a standard location in all formations.

This application has been set for hearing before a Division Examiner on August 19, 2004. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr
ATTORNEY FOR EOG RESOURCES,
INC.

cc: Patrick J. Tower
EOG Resources, Inc.