

HOLLAND & HART^{LLP}



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November 23, 2004

HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13393

Re: Application of EOG Resources, Inc. for compulsory pooling, Lea
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 December 16, 2004 Examiner hearings.

Very truly yours,

William F. Carr

Enclosures

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

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

IN THE MATTER OF THE APPLICATION
OF EOG RESOURCES, INC. FOR
COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

CASE NO. 13393

APPLICATION

EOG RESOURCES, INC., ("EOG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17(C), for an order pooling all mineral interests from the surface through the top 100 feet of the Mississippian Chester formation in the following described acreage in irregular Section 5, Township 21 South, Range 33 East, NMPM: Lots 9 through 16 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated Hat Mesa-Morrow Gas Pool; Lots 11 through 14 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; Lots 12 and 13 to form a standard spacing and proration unit for all formations and pools developed on 80-acre spacing within that vertical extent; and Lot 12 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent, and in support thereof states:

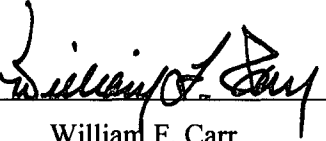
1. EOG is a working interest owner in the Lots 9 through 16 in said Section 5 and has the right to drill thereon.
2. EOG proposes to dedicate the above-referenced spacing and proration unit to its Sombrero 5 State Well No. 1 to be drilled at a standard location 3535 feet from the North line and 896 feet from the West line to a depth of approximately 1460 feet to test all formations from the surface through the top 100 feet of the Mississippian Chester formation.
3. EOG has sought and been unable to obtain a voluntary agreement for the development of these lands from Capstone Oil & Gas Company, L.P., 203 West Wall, Suite 1201, Midland, Texas 79701, Attention Mr. Dale Douglas.
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 December 16, 2004 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing unit,
- B. designating EOG Resources, Inc. operator of this spacing unit 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.

CASE 13393:

Application of EOG Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface through the top 100 feet of the Mississippian Chester formation in the following described acreage in irregular Section 5, Township 21 South, Range 33 East, NMPM: Lots 9 through 16 to form a standard 320-acre spacing and proration unit for all formations developed on a 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Undesignated Hat Mesa-Morrow Gas Pool; Lots 11 through 14 to form a standard spacing and proration unit for all formations developed on 160-acre spacing within that vertical extent; Lots 12 and 13 to form a standard spacing and proration unit for all formations and pools developed on 80-acre spacing within that vertical extent; and Lot 12 to form a standard spacing and proration unit for all formations developed on 40-acre spacing within that vertical extent. Said units are to be dedicated to its Sombrero 5 State Well No. 1 to be drilled 3535 feet from the North line and 896 feet from the West line of said Section 5 to an approximate depth of 14,600 feet. 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 25 miles southwest of Hobbs, New Mexico.