

**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 A
NON-STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

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CASE NO. 12881

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, for an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 1, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage to form a 160-acre, more or less, project area in this formation. In support of its application, EOG states:

1. EOG is a working interest owner in the proposed non-standard spacing unit in Section 1, and has the right to drill thereon.
2. EOG proposes to dedicate the above-referenced spacing and proration unit as the project area for its Sand Tank "1" Fed Com 3H Well, which was horizontally drilled from a surface location 560 feet from the South line and 240 feet from the East line (Unit P) to a bottom hole location 660 feet from the South line and 330 feet from the West line (Unit M) of Section 1. The completed interval for this well will be at a standard location as required by the rules.

3. EOG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

5. In order to permit EOG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and EOG Resources, Inc. should be designated the operator of this proposed horizontal well and spacing unit.

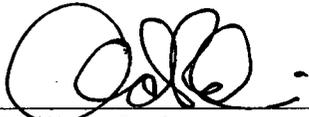
WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 9, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Second Bone Spring Sand formation comprised of the S/2 S/2 of Section 1, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating EOG Resources, Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing EOG Resources, Inc. to recover its costs of drilling, equipping and completing the well;

- E. 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
- F. 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,

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ATTORNEYS FOR EOG RESOURCES, INC.

CASE 14881:

Application of EOG Resources, Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 1, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Sand Tank "1" Fed Com #3H Well which was horizontally drilled from a surface location 560 feet from the South line and 240 feet from the East line (Unit P) to a bottom hole location 660 feet from the South line and 330 feet from the West line (Unit M) of Section 1. The completed interval for this well will be at a standard location as required by the rules. 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 3 miles Southwest of Loco Hills, New Mexico.