

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

**APPLICATION OF EOG RESOURCES, INC.
FOR A NON-STANDARD SPACING AND
PRORATION UNIT, COMPULSORY POOLING, AND
APPROVAL OF AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

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CASE NO. 15288

APPLICATION

EOG Resources, Inc., ("EOG") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 160-acre spacing and proration unit comprised of the W/2W/2 of Section 10, Township 25 South, Range 34 East, NMPM, Lea County, New Mexico; (2) pooling all mineral interests in the Wolfcamp formation underlying this acreage; and (3) approving an unorthodox well location for the proposed well. In support of its application, EOG states:

1. EOG Resources, Inc. (OGRID No. 7377) is a working interest owner in the W/2W/2 of Section 10 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 proposed **Osprey 10 No. 701H Well** (API No. 30-025-42383), which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) to a bottom hole location in SW/4 SW/4 (Unit M) of Section 10. The project area is located within the WC-025 G-09 S253402N; Wolfcamp pool (98116). The completed interval for this well will commence 330 feet from the North line, 1140 feet from the

West line (Unit D) to a location 330 feet from the South line, 1140 feet from the West line (Unit M).

3. This acreage is subject to the statewide rule for wildcat oil pools which require 40-acre spacing and wells to be located no closer than 330 feet to the boundary of the unit. 19.15.15.9 NMAC. Rules 19.15.15.13(B) and 19.15.4.12(A)2 NMAC allow the director to grant an exception to the well location requirements.

4. The proposed **Osprey 10 No. 701H Well** will be unorthodox because the completed interval for this well will be closer than 330 feet to the unit boundary as required by Rule 19.15.15.9(A). Specifically, it encroaches on the spacing and proration units to the Northeast, East, and Southeast of Section 10.

5. 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.

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

7. In order to permit EOG to obtain it's 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 April 16, 2015, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre non-standard spacing and proration unit in the Wolfcamp formation, comprised of the W/2W/2 of Section 10, Township 25 South, Range 34 East, NMPM;
- 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 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;
- F. Imposing a 200% penalty for the risk assumed by EOG in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well; and
- G. Approving the unorthodox well location for this initial well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert
Jordan L. Kessler
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile

ATTORNEYS FOR EOG RESOURCES, INC.

CASE 15288: **Application of EOG Resources, Inc. for a non-standard spacing and proration unit, compulsory pooling, and approval of an unorthodox well location, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a 160-acre spacing and proration unit comprised of the W/2W/2 of Section 10, Township 25 South, Range 34 East, NMPM, Lea County, New Mexico; (2) pooling all mineral interests in the Wolfcamp formation underlying this acreage; and (3) approving an unorthodox well location for the proposed well. Said non-standard unit is to be dedicated to applicant's proposed **Osprey 10 No. 701H Well** which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) to a bottom hole location in SW/4 SW/4 (Unit M) of Section 10. The completed interval for this well will commence 330 feet from the North line, 1140 feet from the West line (Unit D) to a location 330 feet from the South line, 1140 feet from the West line (Unit M). The proposed well therefore encroaches on the spacing and proration units to the Northeast, East, and Southeast of Section 10. 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 2 miles Southwest of Baird Place, New Mexico.