

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

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

CASE NO. 15667

**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 240-acre spacing and proration unit comprised of the W/2 W/2 of Section 10, and the W/2 SW/4 of Section 3, Township 25 South, Range 34 East, NMPM, Lea County, New Mexico; (2) approving an unorthodox location for the wellbore; (3) pooling all mineral interests in the Bone Spring formation underlying this acreage; and (4) approving EOG's request to surface commingle (pool-lease commingle) production from the proposed spacing unit with production from the spacing unit in the W/2 W/2 of Section 10, and the W/2 SW/4 of Section 3 producing from the Wolfcamp Formation. In support of its application, EOG states:

1. EOG Resources, Inc. (OGRID No. 7377) is a working interest owner in the non-standard spacing unit 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. 602H**, which will be horizontally

drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 10 to a bottom hole location in NW/4 SW/4 (Unit L) of Section 3.

3. The project area is located within the Lea; Bone Spring South Pool (37580). This pool is subject to statewide rules for oil pools set forth in 19.15.15 NMAC, which require 40-acre spacing and wells to be located no closer than 330 feet to the outer boundary of the spacing unit. The completed interval for this well will commence 330 feet from the South line, 1,270 feet from the West line (Unit M) of Section 10 to a location 2,304 feet from the South line, 1,270 feet from the West line (Unit L) of Section 3. The completed interval therefore encroaches on the spacing and proration units to the West and Northwest.

4. EOG also seeks approval to surface commingle (pool-lease commingle) oil and gas production from *all existing and future wells* to be drilled in the following areas of identical ownership:

(a) The 240-acre spacing unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 10, and the W/2 SW/4 of Section 3, Township 25 South, Range 34 East, NMPM, Lea County, New Mexico, dedicated to the **Osprey 10 No. 602H Well** (to produce from the Lea; Bone Spring South Pool (37580));

(b) The 240-acre spacing and proration unit in the Wolfcamp formation, comprised of the W/2 W/2 of Section 10, and the W/2 SW/4 of Section 3, Township 25 South, Range 34 East, NMPM, Lea County, dedicated to the **Osprey 10 No. 701H Well** (to produce from the WC-025-G-08-S203429P; Wolfcamp Pool (98201)).

5. Ownership between the **Osprey 10 No. 602H Well** and the **Osprey 10 No. 701H Well** is identical. **See Exhibit A.**

6. 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.

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

8. 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.

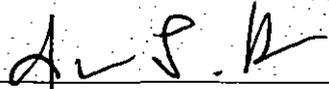
WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 30, 2017, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 240-acre non-standard spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 10, and the W/2 SW/4 of Section 3, Township 25 South, Range 34 East, NMPM, Lea County, New Mexico;
- B. Approving an unorthodox well location for the proposed wellbore;
- C. Pooling all mineral interests in the non-standard spacing and proration unit;
- D. Approving EOG's request to surface commingle (pool-lease commingle) production
- E. Designating EOG Resources, Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;

- F. Authorizing EOG to recover its costs of drilling, equipping and completing the well;
- G. 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
- I. 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.

Respectfully submitted,

HOLLAND & HART LLP

By: 

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Jordan L. Kessler

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**ATTORNEYS FOR EOG RESOURCES, INC.**

CASE 15667

**Application of EOG Resources, Inc. for a non-standard spacing and proration unit, approval of an unorthodox well location, compulsory pooling, and approval to surface (pool-lease) commingle, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a 240-acre spacing and proration unit in the Bone Spring Formation (Lea; Bone Spring South Pool (37580)) comprised of the W/2 W/2 of Section 10, and the W/2 SW/4 of Section 3, Township 25 South, Range 34 East, NMPM, Lea County, New Mexico; (2) approving an unorthodox location for the wellbore; (3) pooling all mineral interests in the Bone Spring formation underlying this acreage; and (4) approving EOG's request to surface commingle (pool-lease commingle) production from the proposed spacing unit with production from the spacing unit in the W/2 W/2 of Section 10, and the W/2 SW/4 of Section 3 producing from the Wolfcamp Formation. Said unit will be the project area for its proposed Osprey 10 No. 602H, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 10 to a bottom hole location in NW/4 SW/4 (Unit L) of Section 3. The completed interval for this well will commence 330 feet from the South line, 1,270 feet from the West line (Unit M) of Section 10 to a location 2,304 feet from the South line, 1,270 feet from the West line (Unit L) of Section 3. The completed interval therefore encroaches on the spacing and proration units to the West and Northwest. 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.

## APPLICATION FOR SURFACE POOL/LEASE COMMINGLING

EOG Resources, Inc. respectfully requests administrative approval to surface pool and lease commingle oil & gas from the following wells:

	WELL NAME	LOCATION	API	POOL CODE/NAME	OIL BOPD	GRAVITIES	MCFPD	BTU
1	Osprey 10 #701H	M-10-25S-34E	30-025-**	[98201] WC-025-G-08-5203429P; WOLFCAMP	*1724	*46.28	*3279	*1357
2	Osprey 10 #602H	M-10-25S-34E	30-025-**	[37580] LEA; BONE SPRING SOUTH	*1724	*46.28	*3279	*1357

\* Current values are estimated. EOG Resources, Inc. will provide actual Oil BOPD, Gravities, MCFPD and BTU upon completion of wells.

\*\* EOG will provide actual API numbers upon approval of the drilling permits.

Multiple Fee leases cover 320.00 acres, being the S/2 Section 10, T25S, R34E, Lea County, New Mexico. 80 acres (W/2SW/4 Section 10) of this lease is included in the communitized are for both wells.

Multiple Fee leases cover 320.00 acres, being the N/2 Section 10, T25S, R34E, Lea County, New Mexico. 80 acres (W/2NW/4 Section 10) of this lease is included in the communitized are for both wells.

Multiple Fee leases cover 320.00 acres, being the S/2 Section 3, T25S, R34E, Lea County, New Mexico. 80 acres (W/2SW/4 Section 10) of this lease is included in the communitized are for both wells.

The central tank battery is located within the SW/4SW/4 of Section 10, T25S, R34E, Lea County, New Mexico.

The attached map shows the fee leases and well locations in Section 10 and Section 3, T25S, R34E, Lea County, NM.

### Process and Flow Descriptions:

The production from each well will flow into a dedicated 3-phase separator. The production stream will be separated into 3 independent streams (gas, oil, and water) by the separator and each stream will be measured individually after it exits the separator.

The gas will be measured using a senior orifice meter and used to allocate total volume measured at the facility check meter, high pressure flare meter, and low pressure flare meter.

OSPREY 10 #701H gas allocation meter is an Emerson orifice meter

OSPREY 10 #702H gas allocation meter is an Emerson orifice meter

The oil from the separators will be measured using a Coriolis meter.

OSPREY 10 #701H oil allocation meter is a FMC Coriolis meter

OSPREY 10 #702H oil allocation meter is a FMC Coriolis meter

The water will be measured using a turbine meter. The water from each separator is combined in a common header and flows into (4) 400 barrel coated steel tanks. Guided wave radar is used to measure water volumes in these tanks. The oil from each separator will be combined into a common header and flow into a heated horizontal separator (HHS) to aid separation of water entrained in the oil. Water from the heated separator flows into the common water header connected to the (4) 400 barrel water tanks. The water is then pumped and/or trucked to a salt water disposal well. The oil from the heated separator flows through a vapor recovery tower (VRT) where gas is allowed to breakout at a lower pressure, and then the oil flows into (8) 400 barrel coated steel tanks. Guided wave radar is used to measure water and oil volumes in these tanks. Oil is pumped out of the tanks through a Coriolis meter into a truck or a pipeline. Every tank utilizes a guided wave radar to determine the volume of product in each. After the gas from each separator is measured it is combined into a common header. The gas from the heated separator also flows into this header. The gas flows through the header to a custody transfer Emerson orifice meter that serves as our lease production meter. If the pipeline is experiencing problems and cannot take any gas, the gas will flow through the high pressure and low pressure flare meters to the flare. The overhead gas from the vapor recovery tower is compressed by a vapor recovery compressor and then measured by a custody transfer Emerson orifice meter. The gas from the vapor recovery system combines with the gas from the lease production meter and flows into our gas gathering pipeline system.

## ECONOMIC JUSTIFICATION

### Single Well Production

	Well Name	*Oil BPD	*Gravity	*Value/BBL	*MCFPD	*BTU	*Value/MCF
1	Osprey 10 #701H	1,724	46.28	\$53.82	3,279	1,357	\$2.79
2	Osprey 10 #602H	1,724	46.28	\$53.82	3,279	1,357	\$2.79

### Combined Production

	Well Name	*Oil BPD	*Gravity	*Value/BBL	*MCFPD	*BTU	*Value/MCF
1	Osprey 10 CTB	3,448	46.28	\$53.82	6,558	1,357	\$2.79

\*Current values are estimates. EOG will provide actual Gravities, Oil BOPD, BTU, and MCFPD upon completion of the wells.



EOG Resources, Inc.  
3509 Champions Drive  
Midland, Texas 79706  
(432) 686-3600

Date: February 24, 2016  
To: New Mexico Oil Conservation Division  
Re: Surface Pool/Lease Commingling Application  
Osprey 10 #701H & Osprey 10 #602H

To whom it may concern:

This letter serves to notice you that the ownership of the following wells is identical in working interest, royalty interest and overriding royalty interest percentages:

	API	WELL NAME	WELL #	LOCATION	POOL CODE/NAME
1	30-025-*****	OSPREY 10	#701H	M-10-25S-34E	[98201] WC-025-G-08-S203429P; WOLFCAMP
2	30-025-*****	OSPREY 10	#602H	M-10-25S-34E	[37580] LEA; BONE SPRING SOUTH

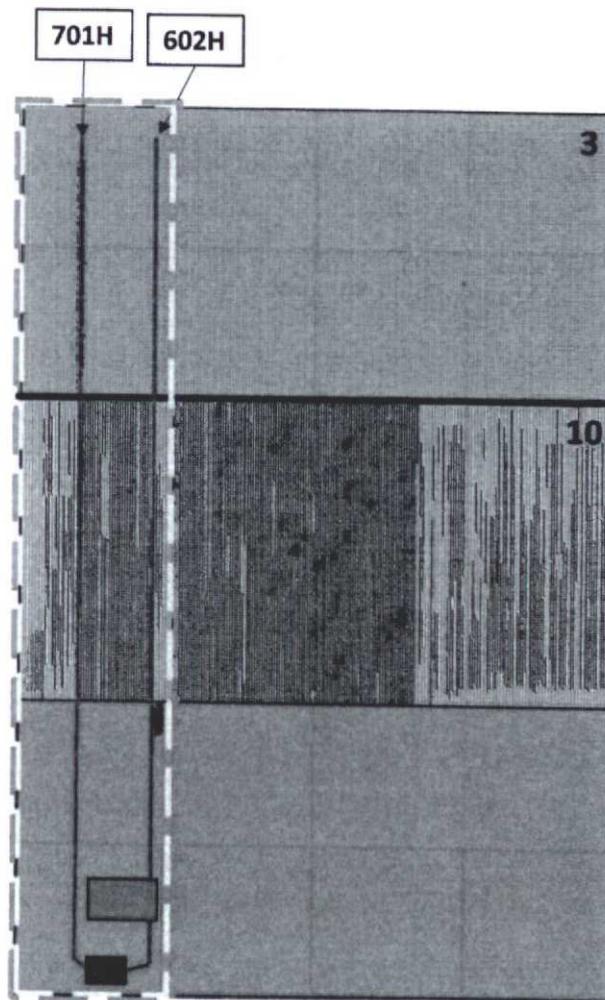
I certify that this information is true and correct to the best of my knowledge.

EOG Resources, Inc.

By: *Gavin Smith*  
Gavin Smith  
Landman

**OSPREY 10 WELLS &  
CTB LOCATION**  
SECTIONS 3 & 10  
T25S, R34E, LEA COUNTY, NM

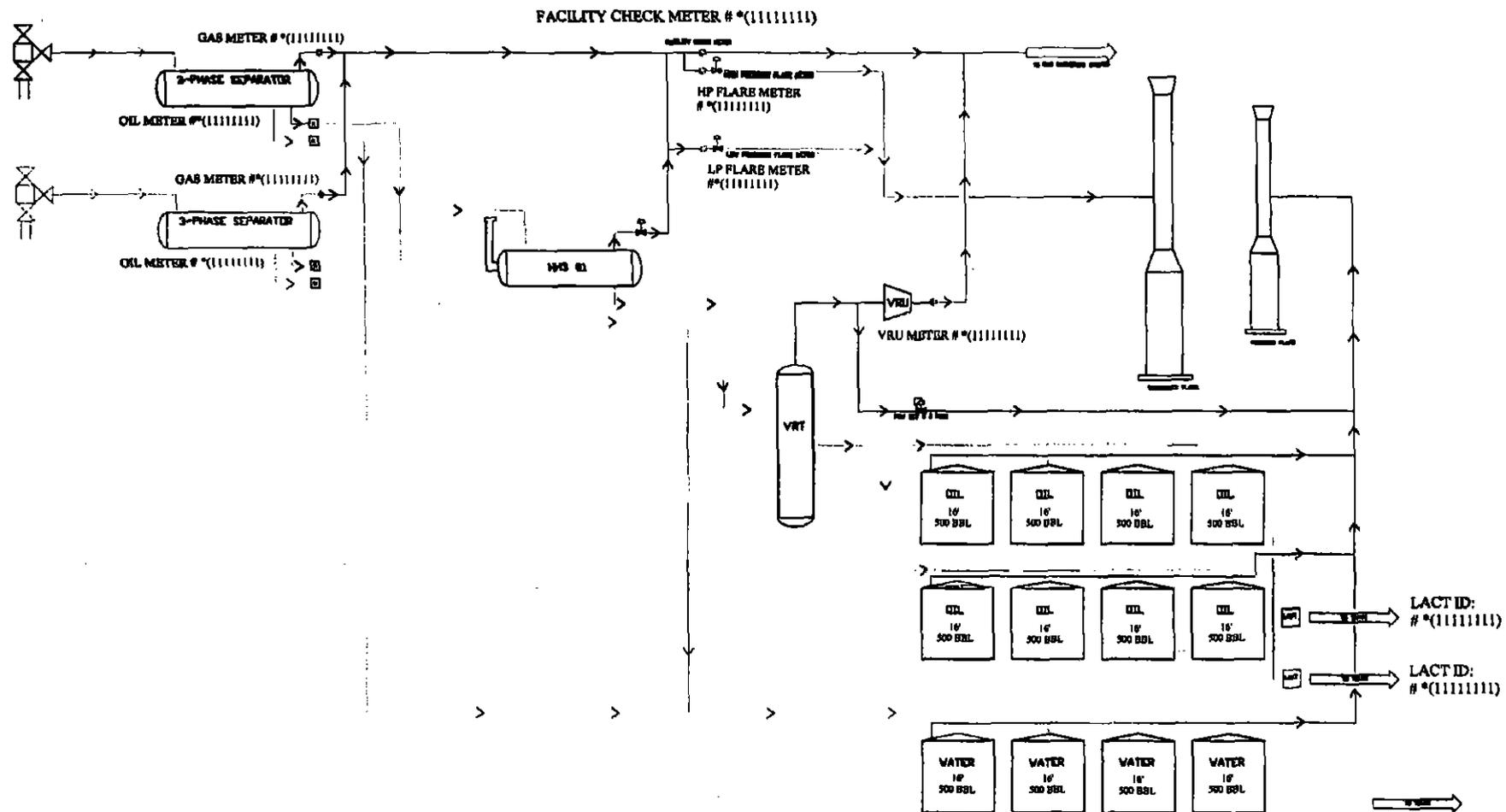
-  CTB
-  Fee Leases S/2 Sec. 3
-  Fee Leases – N/2 Sec. 10
-  Fee Leases – S/2 Sec. 10
-  \*701H Unit
-  \*602H Unit



# FACILITY NAME: OSPREY 10 STATE CTB

WELL NAME:  
OSPREY 10 #701H  
API NUMBER:  
30-025-42383

WELL NAME:  
OSPREY 10 #702H  
API NUMBER:  
30-025-42382



[G] Gas Orifice Meter

[M] Liquid Meter

\* Actual meter numbers will be provided once they are available. #\*(11111111)

OSPREY 10 CTB PROCESS FLOW

EDG RESOURCES  
MIDLAND DIVISION

BY: BKM

REV. 02  
2/22/2017

District I  
1625 N French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources  
Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

FORM C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name <b>OSPREY 10</b>			6 Well Number <b>#701H</b>
7 OGRID No.		8 Operator Name <b>EOG RESOURCES, INC.</b>			9 Elevation <b>3333'</b>

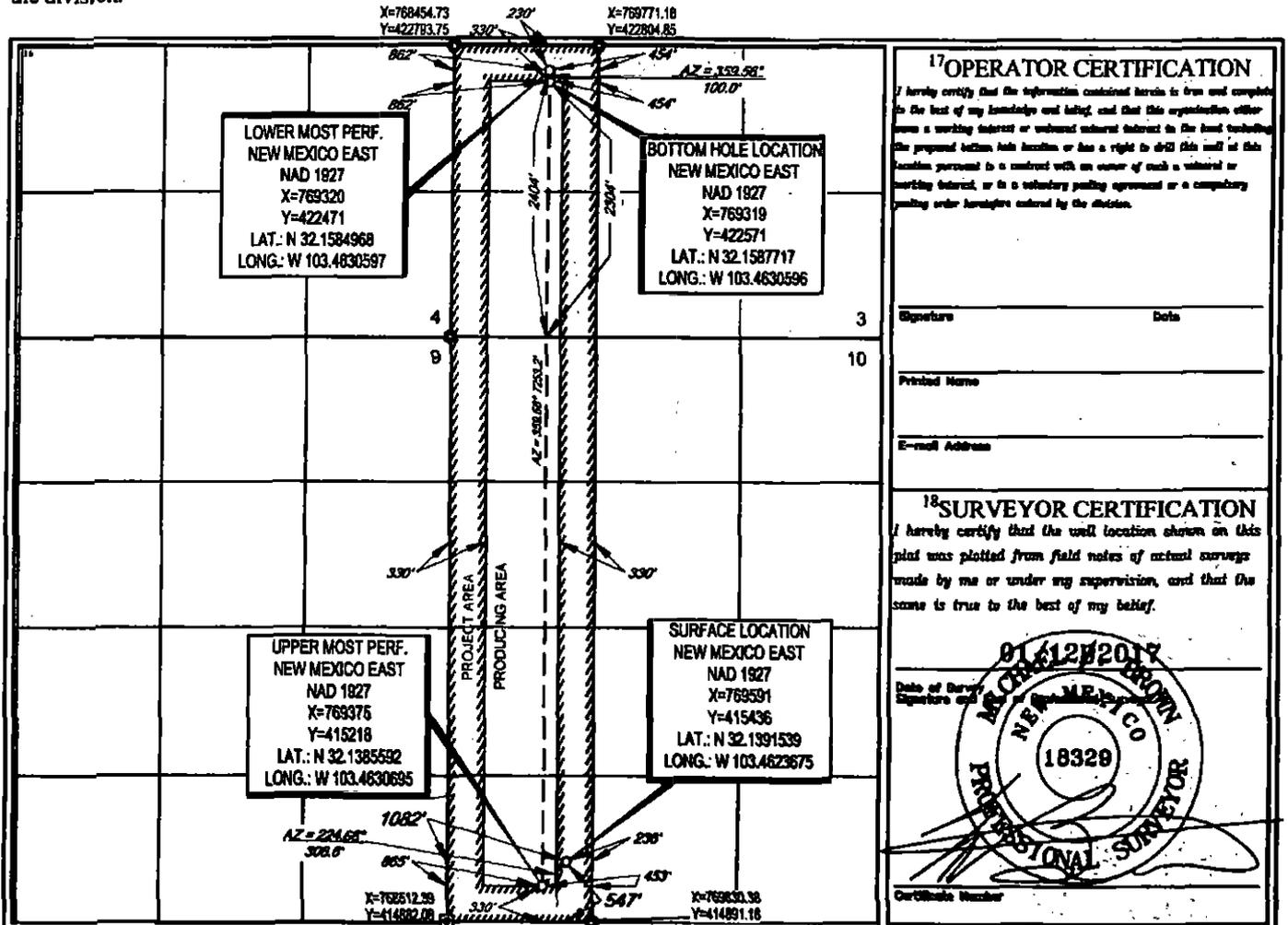
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>M</b>	<b>10</b>	<b>25-S</b>	<b>34-E</b>	-	<b>547'</b>	<b>SOUTH</b>	<b>1082'</b>	<b>WEST</b>	<b>LEA</b>

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>L</b>	<b>3</b>	<b>25-S</b>	<b>34-E</b>	-	<b>2404'</b>	<b>SOUTH</b>	<b>862'</b>	<b>WEST</b>	<b>LEA</b>

11 Dedicated Acres <b>240</b>	12 Joint or Infill	13 Consolidation Code	14 Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



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1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
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FORM C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code		Property Name <b>OSPREY 10</b>			Well Number <b>#602H</b>
OGRID No.		Operator Name <b>EOG RESOURCES, INC.</b>			Elevation <b>3334'</b>

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>M</b>	<b>10</b>	<b>25-S</b>	<b>34-E</b>	-	<b>530'</b>	<b>SOUTH</b>	<b>1113'</b>	<b>WEST</b>	<b>LEA</b>

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>L</b>	<b>3</b>	<b>25-S</b>	<b>34-E</b>	-	<b>2404'</b>	<b>SOUTH</b>	<b>1270'</b>	<b>WEST</b>	<b>LEA</b>

Dedicated Acres <b>240</b>	Joint or Infill	Consolidation Code	Order No.
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