

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

**APPLICATION OF EOG RESOURCES, INC.
FOR APPROVAL OF 1,000-ACRE
NON-STANDARD SPACING UNIT IN THE
BONE SPRING AND WOLFCAMP FORMATIONS
COMPRISED OF ACREAGE SUBJECT TO PROPOSED
COMMUNITIZATION AGREEMENTS,
LEA COUNTY, NEW MEXICO.**

**CASE NO. 21978
ORDER NO. R-21782**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on July 1, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. EOG Resources, Inc. (“EOG”) filed an application (“Application”) seeking approval of a 1,000-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring and Wolfcamp formations underlying all of Section 10 and the N/2 and the NW/4 SW/4 of Section 15, Township 24 South, Range 32 East, NMPM Lea County, New Mexico (“Spacing Unit”).
2. The Spacing Unit will be initially dedicated to the following horizontal wells (“wells”) in the respective formations:

Bone Spring formation:
 - Modelo 10 Federal Com #501H-#511H wells (API No. 30-025-pending) (11 wells)
Wolfcamp formation:
 - Modelo 10 Federal Com #701H-#710H wells (API No. 30-025-pending) (10 wells)
3. The Wells will be or have been drilled and completed in the following pools:
 - Triste Draw; Bone Spring Pool (Pool Code 96603)
 - WC-025 G-08 S243213C; Wolfcamp Pool (Pool Code 98309)
4. EOG appeared at hearing and presented evidence by affidavit.
5. The Spacing Unit is comprised of the following four leases:

- Federal Lease USA NM 119276 containing Section 10: N/2 and the SW/4
 - Federal Lease USA NM 01917 containing Section 10: SE/4
 - Federal Lease USA NM 113964 containing Section 15: NE/4 NW/4
 - Federal Lease USA NM 039880 containing Section 15: NE/4, S/2 NW/4, NW/4 NW/4, and the NW/4 SW/4
6. EOG owns all the working interest in the Bone Spring and Wolfcamp formations underlying the Spacing Unit.
 7. The Bureau of Land Management (“BLM”) informed EOG that it will approve a communitization agreement covering the Bone Spring and Wolfcamp formations for the same acreage as the Spacing Unit. EOG testified that the BLM will only approve the communitization agreement if the OCD approves the Spacing Unit.
 8. EOG will consolidate facilities and commingling production from existing and future wells in the Spacing Unit to minimize surface disturbance. EOG testified that without approval of the Spacing Unit, EOG would need to construct separate facilities for the separate standard spacing units.
 9. EOG presented evidence that consolidating facilities would result in a cost savings of \$5.3 million, and a reduction in surface disturbances of 19 acres.
 10. The Wells will efficiently and effectively develop the Spacing Unit and will result in significant efficiencies due to the ability to consolidate surface facilities.
 11. Application states that EOG has notified and discussed with XTO Energy Inc. (“XTO”) which owns the SW/4 SW/4 of Section 15 Township 24 South, Range 32 East, NMPM Lea County, New Mexico. XTO has informed EOG that this application will not prevent XTO from developing this offsetting acreage, therefore granting of this application will leave no acreage stranded.
 12. EOG gave notice of the Application to operators and lessees, in the Spacing Unit, all affected parties in the tracts that adjoin the Spacing Unit, and BLM.
 13. EOG published notice of the Application and hearing in a newspaper of general circulation in Lea County, New Mexico.
 14. No other party appeared at the hearing or opposed granting the Application.

CONCLUSIONS OF LAW

15. OCD has jurisdiction to issue this Order pursuant to Section 70-2-18(C), NMSA 1978.

16. EOG has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
17. OCD's rules allow the approval of a non-standard horizontal spacing unit, after notice and opportunity for hearing, "if necessary to prevent waste or protect correlative rights" 19.15.16.15(B)(5)(a) NMAC.
18. While the OCD is authorized to approve a non-standard spacing unit, Rutter & Wilbanks Corp. v. Oil Conservation Comm'n, 1975-NMSC-006, OCD lacks the authority to approve unitization and will disapprove an application if it determines that it is actually unitization. Order R-13554 (May 18, 2012) (disapproving application for a non-standard spacing unit consisting of 16 standard spacing units).
19. Approval of the Spacing Unit promotes effective well spacing and allows EOG to reduce surface disturbance, efficiently locate surface facilities, and reduce development costs, and therefore prevents waste and protects correlative rights.

ORDER

20. The Application to create a 1,000-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring and Wolfcamp formations underlying all of Section 10 and the N/2 and the NW/4 SW/4 of Section 15, Township 24 South, Range 32 East, NMPM Lea County, New Mexico, **is hereby approved.**
21. EOG shall file amended Forms C-102 reflecting the correct acreage dedicated for each of the Wells.
22. OCD retains jurisdiction of this case for entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR

AES/jag

Date: 7/20/2021