

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

**APPLICATION OF EOG RESOURCES, INC. FOR APPROVAL OF A 945.20-ACRE
NONSTANDARD SPACING UNIT IN THE WOLFCAMP FORMATION COMPRISED
OF ACREAGE SUBJECT TO A PROPOSED COMMUNITIZATION AGREEMENT,
LEA COUNTY, NEW MEXICO.**

**CASE NO. 22261
ORDER NO. R-21954**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on December 2, 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 945.20-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Wolfcamp formation underlying all of Sections 26 and 35, including Lots 1, 2, 3 and 4, in Township 26 South, Range 33 East, NMPM, Lea County, New Mexico (“Spacing Unit”).
2. The Spacing Unit will be initially dedicated to the following horizontal wells (“wells”):
 - Colgrove 35 Federal Com #701H (API No. 30-025-43018)
 - Colgrove 35 Federal Com #702H (API No. 30-025-42983)
 - Colgrove 35 Federal Com #703H (API No. 30-025-45894)
 - Colgrove 35 Federal Com #704H (API No. 30-025-45895)
 - Colgrove 35 Federal Com #705H (API No. 30-025-43570)
 - Colgrove 35 Federal Com #706H (API No. 30-025-43571)
 - Colgrove 35 Federal Com #707H (API No. 30-025-43572)
 - Colgrove 35 Federal Com #708H (API No. 30-025-43573).
3. The Wells will be or have been drilled and completed in the following pool:
 - Sanders Tank; Upper Wolfcamp Pool (Pool Code 98097)
4. EOG appeared at hearing and presented evidence by affidavit.
5. The Spacing Unit is comprised of the following three leases:
 - Federal Lease USA NMNM-121490
 - Federal Lease USA NMNM-02965-A
 - Fee Lease

6. EOG provided testimony that EOG owns all the working interest within the Spacing Unit.
7. The Bureau of Land Management (“BLM”) informed EOG that it will approve a communitization agreement covering the Wolfcamp formation 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 \$3.2 million.
10. EOG presented testimony that consolidating facilities would result in a fifty percent reduction in criteria pollutant emissions and GHG emissions.
11. The Wells will efficiently and effectively develop the Spacing Unit and will result in significant efficiencies due to the ability to consolidate surface facilities.
12. EOG gave notice of the Application to all affected parties in the tracts that adjoin the Spacing Unit, and BLM.
13. No other party appeared at the hearing or opposed granting the Application.

CONCLUSIONS OF LAW

14. OCD has jurisdiction to issue this Order pursuant to Section 70-2-18(C), NMSA 1978.
15. EOG has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
16. 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.
17. 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).

18. Approval of the Spacing Unit promotes effective well spacing and allows EOG to efficiently locate surface facilities, and reduce development costs, and therefore prevents waste and protects correlative rights.

ORDER

19. The Application to create a 945.20-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Wolfcamp formation underlying all of Sections 26 and 35, including Lots 1, 2, 3 and 4, in Township 26 South, Range 33 East, NMPM, Lea County, New Mexico, **is hereby approved.**
20. EOG shall file amended Forms C-102 reflecting the correct acreage dedicated for each of the Wells.
21. 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: 12/15/2021