

DATE IN 3/24	SUSPENSE 4/13	ENGINEER MS	LOGGED IN MS	TYPE NSL	APP NO. 408631091
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

WILLIAM F. CARR
 Print or Type Name

William F. Carr
 Signature

ATTORNEY
 Title

3/24/04
 Date

wcarr@hollandhart.com
 e-mail Address

RECEIVED

MAR 24 2004

Oil Conservation Division
 1220 S. St. Francis Drive
 Santa Fe, NM 87505

March 24, 2004

HAND-DELIVERED

Carol Leach, Acting Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of EOG Resources, Inc. administrative approval of an unorthodox gas well location for its Lusk "23" Federal Well No. 2, to be directionally drilled from a surface location 330 feet from the South and East lines to an unorthodox bottomhole location 500 feet from the South and East lines of Section 23, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Leach:

EOG Resources, Inc. hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) adopted on August 12, 1999, of an unorthodox gas well location for its Lusk "23" Federal Well No. 2 to be directionally drilled from a surface location 330 feet from the South and East lines to an unorthodox bottomhole location 500 feet from the South and East lines of Section 23, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico. This well will be drilled to a depth sufficient to test the Morrow and Mississippian Chester formations, Undesignated Lusk-Morrow Gas Pool. A standard 320-acre spacing and proration unit comprised of the E/2 of Section 23 will be dedicated to the well.

The proposed surface location is required by the BLM due to topographic conditions and the bottomhole location is required by geological considerations. EOG originally attempted to stake the well at a legal location 660 feet from the



South and East lines of Section 23, however, the BLM requested that the location be moved due to a newly discovered archeological site at this location. EOG therefore moved the surface location to a point 330 feet from the south and east lines of this section.

This bottom hole location in the Morrow and Missippian Chester formations is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320-spacing units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

EOG has 3-D seismic data over the subject lands. This data shows that a standard location 660 feet from the south and east lines of Section 23 for the well would be located close to a northeast-southwest striking fault and could cut this fault at depth and prove the target zones non-productive. By drilling the well from a surface location 330 feet from the south and east lines of the section and then drilling towards the target bottomhole location, EOG will have the best opportunity to encounter productive sands in these formations on the up-thrown side of the fault.

Exhibit A is EOG's Lower Morrow Structure Map that shows the faults in the area, the proposed surface and bottomhole locations for the well and a standard gas well location. Although EOG will attempt to deviate the well to as close to a standard location 660 feet from the south and east lines as possible, the bottom hole target for this well is 500 feet from the south and east lines of Section 23 and therefore EOG seeks administrative approval for this unorthodox bottomhole location.

Attached hereto as **Exhibit B** is a plat that shows the subject area and the proposed 320-acre spacing unit for the well comprised of all of the E/2 of Section 23. Since this well encroaches on tracts to the south, southeast and east, a copy of this application, including a copy of the plat described above has been sent to all Division-designated operators of the current stand up spacing and proration units in the W/2 of Sections 24 and 25 as well as the other working interest owners in these units. EOG is the Division-designated operator of the existing spacing unit in the E/2 of Section 26 and notice of this application has been sent to all working interest owners in this spacing unit in accordance with Division



Rule 1207.A(2)(a)(iii). All notice has been provided by certified mail-return receipt requested in accordance with Rule 1207.B. All owners are identified on **Exhibit C** to this application and have been advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent.

Enclosed in hard copy and disc is a proposed administrative order of the Division.

Your attention to this application is appreciated.

Very truly yours,

William F. Carr
Attorney for EOG Resources, Inc.

Enclosures

cc: Mr. Mike Mullins
EOG Resources, Inc.
Post Office Box 2267
Midland, Texas 79702

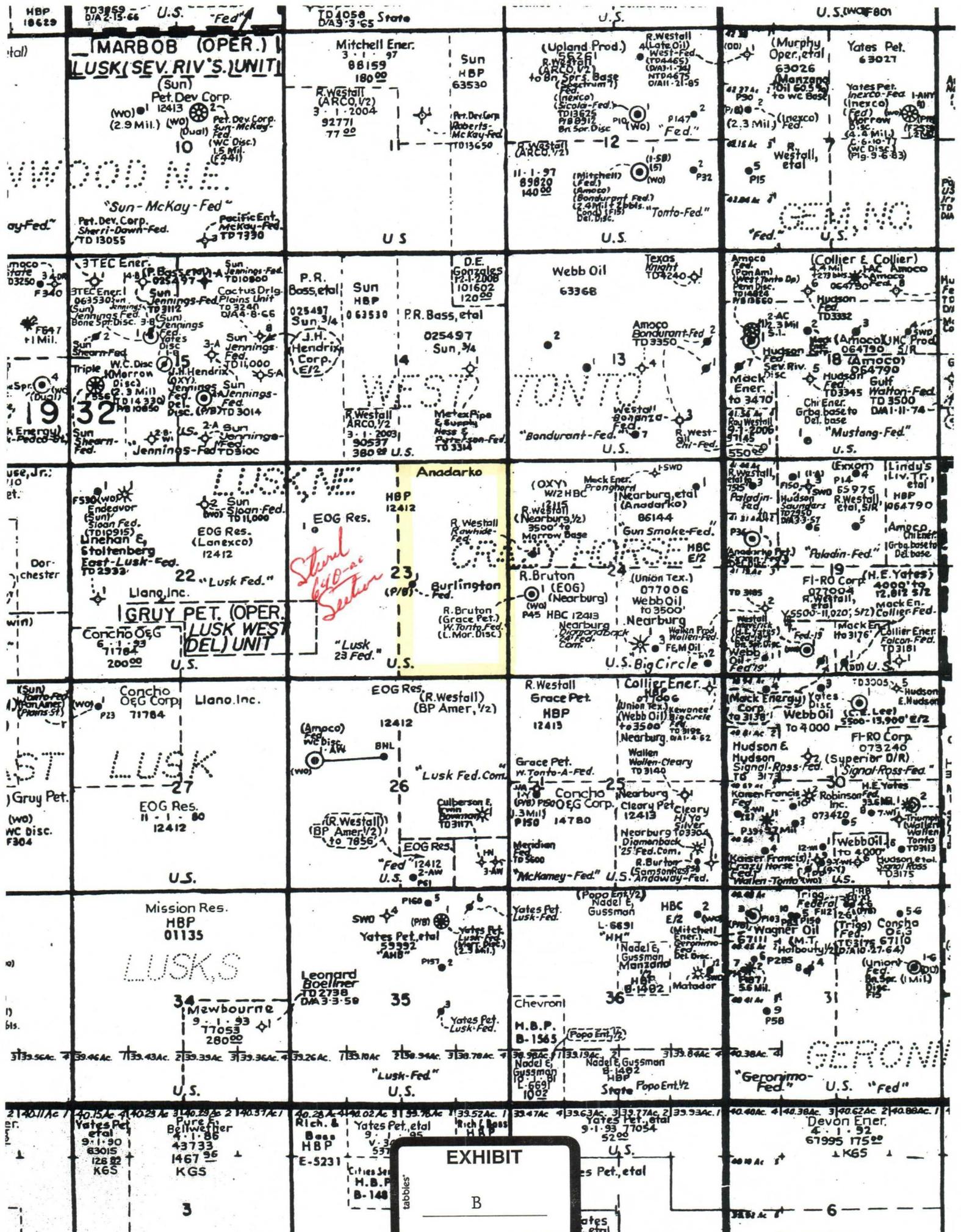


EXHIBIT
B

**Offset Operator Report
Lusk "23" Federal Well No. 2
(Morrow Formation)
Lea County, New Mexico
February 24, 2004**

W/2 of Section 24, T19S-R32E, NMPM, Lea County, NM

EOG Resources, Inc.
P. O. Box 2267
Midland, TX 79702

BP America Production Company
P. O. Box 4587
Houston, TX 77210-4587

Westall Oil & Gas LLC
P. O. Box 4
Loco Hills, NM 88255

Intrepid Operating Ltd. Company
3500 N. Acoma
Hobbs, NM 88240

W/2 of Section 25, T19S-R32E, NMPM, Lea County, NM

Samson Resources Company
200 N. Loraine, Suite 1170
Midland, Texas 79701

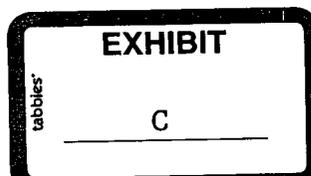
BP America Production Company
P. O. Box 4587
Houston, TX 77210-4587

Westall Oil & Gas LLC
P. O. Box 4
Loco Hills, NM 88255

E/2 of Section 26, T19S-R32E, NMPM, Lea County, NM

EOG Resources, Inc.

Headington Royalty, Inc..
7557 Rambler Road, Suite 1100
Dallas, Texas 75231-2305



EOG Resources, Inc.
Post Office Box 2267
Midland, Texas 79702

Attention: Mike Mullins

Administrative Order NSL-_____

Dear Mr. Mullins:

Reference is made to your application dated March 24, 2004 for an unorthodox well location for a well to be drilled to the Morrow and Mississippian Chester formations, Undesignated Lusk-Morrow Gas Pool, for your proposed Lusk "23" Federal Well No. 2. Said well to be drilled from an unorthodox gas well surface location 330 feet from the South and East lines to an unorthodox bottomhole location 550 feet from the South and East lines (Unit P) of Section 23, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico.

A 320-acre spacing and proration unit in the Morrow and Mississippian Chester formations comprising the E/2 of said Section 23 is to be dedicated to said well.

By authority granted me under the provisions of Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described unorthodox well location is hereby approved.

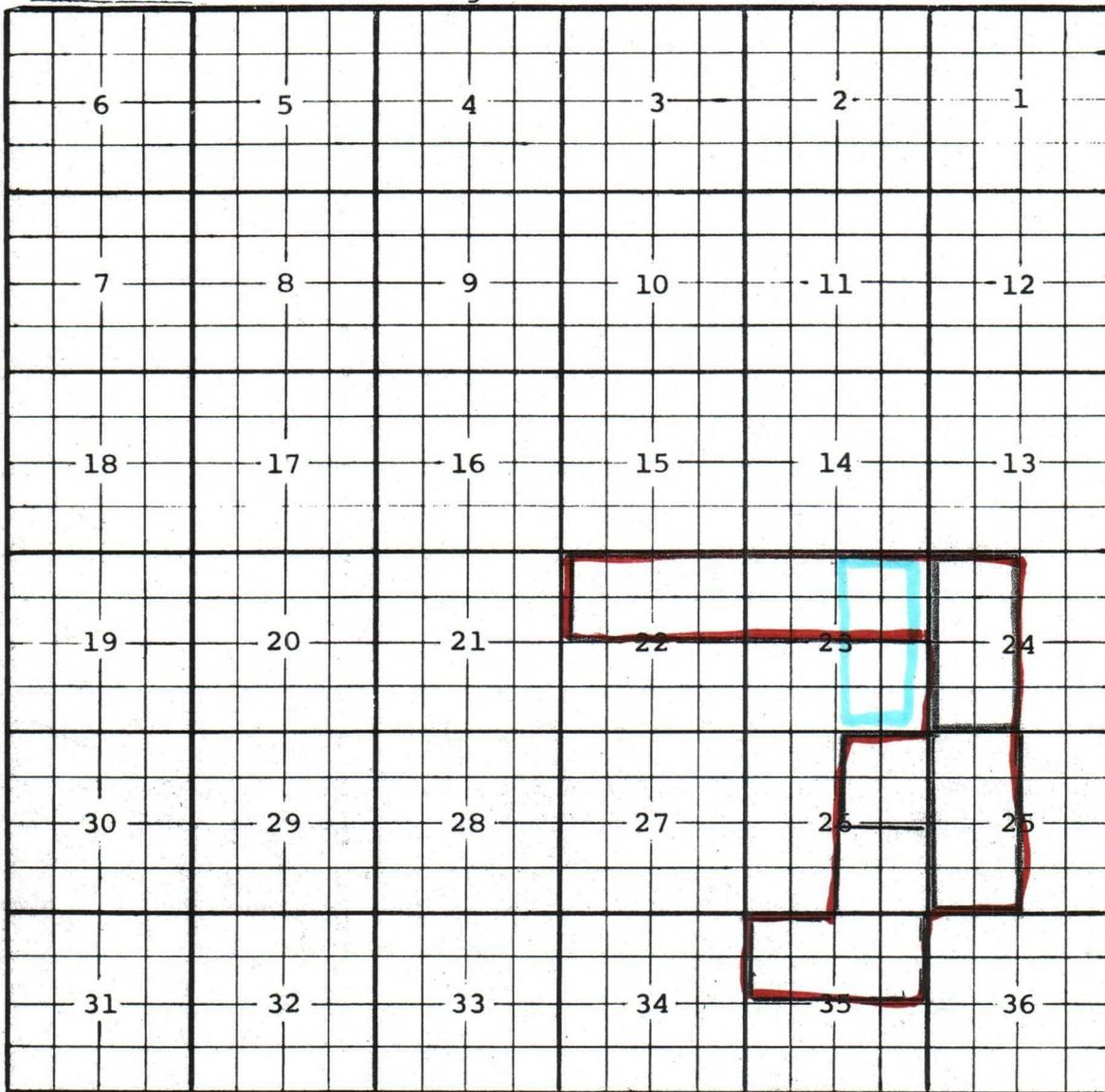
Sincerely,

Director

cc: Oil Conservation Division - Hobbs/Artesia
U. S. Bureau of Land Management - Carlsbad
William F. Carr - Holland & Hart, LLP

County Lea Pool East Lusk - Morrow Gas (80770)

TOWNSHIP 19 S Range 32 E NMPM



Desc. W/2 sec. 24 (R-6724 - 7-16-81)

Ext: W/2 Sec. 25 (R-7158, 12-8-82) Ext: SE/4 Sec. 26, N/2 Sec. 35 (R-9271, 8-28-90)

Ext: N/2 Sec. 22, N/2 Sec. 23 (R-11229, 2-20-02) Ext: NE/4 Sec. 26 (R-11818, 8-26-02)