

DATE IN 3/2/17	SUSPENSE	ENGINEER LRL	LOGGED IN 3/2/17	TYPE NSP	APP NO. PKSC1706149791
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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 Well: Neptune 10 State Com #701

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

non-standard project area

[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.

Jordan Kessler
Print or Type Name

[Signature]
Signature

Attorney
Title

3/2/17
Date

j.kessler@hollandhart.com
Email Address

HOLLAND & HART^{LLP}



Jordan L. Kessler
Associate
Phone (505) 954-7286
Fax (505) 983-6043
JLKessler@hollandhart.com

March 2, 2017

VIA HAND DELIVERY

David Catanach
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Dr.
Santa Fe, New Mexico 87505

**Re: Application of EOG Resources, Inc. for administrative approval of a 280-acre non-standard project area in the WC-025 G-09 S243310P; Upper Wolfcamp Pool (98135) and an unorthodox well location, Sections 3 and 10, Township 24 South, Range 33 East, NMPM, Lea County, New Mexico.
Neptune 10 State Com No. 701H Well**

Dear Mr. Catanach:

EOG Resources, Inc. (OGRID No. 7377) owns a working interest in three state leases (NM V-4368, NM V-05289, and NM V-4397-2)) covering the W/2 W/2 of Section 3 and the W/2 W/2 of Section 10, Township 24 South, Range 33 East, NMPM, Lea County, New Mexico. EOG originally permitted the **Neptune 10 State Com No. 701H Well** as a two-mile horizontal well within a 320-acre project area in the WC-025 G-09 S243310P; Upper Wolfcamp Pool (98135) comprised of W/2 W/2 of Section 3 and the W/2 W/2 of Section 10. The well was permitted at an orthodox location. EOG commenced drilling the well from a surface location 450 feet from the South line and 381 feet from the West line of Section 10 (Unit D) and intended to bottomhole the well at a standard location in Unit D of Section 3. However, due to drilling difficulties noted below, EOG was forced to cease drilling before penetrating Unit D of Section 3, and must now limit the project area of the **Neptune 10 State Com No. 701H Well** to 280-acres comprised of Units D, E, L, and M of Section 10 and Units E, L, and M of Section 3. The first perforation will occur at 330 feet from the South line, 361 feet from the West line (Unit D) of Section 10, at an orthodox location. However, the final perforation will occur at 1,626 feet from the North line and 344 feet from the West line (Unit E) of Section 3, and will therefore encroach on the spacing unit to the North.

In drilling **Neptune 10 State Com No. 701H Well**, EOG incurred mechanical difficulties which limited the producing interval to the 280-acre proposed project area. EOG incurred a motor failure on the drilling rig while the drill bit was passing through a fault in the target formation, creating geo-steering difficulties downhole. In order to efficiently drain the reservoir and prevent waste, EOG seeks to exclude the NW/4 NW/4 (Unit D) of Section 3 from the project area for the **Neptune 10 State Com No. 701H Well**.

Holland & Hart^{LLP}

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☪



Accordingly, EOG respectfully requests the Division grant the following relief:

- (1) Pursuant to 19.15.16.15.E NMAC, approve a non-standard 280-acre project area comprised of the W/2 W/2 of Section 10 (Units D, E, L, and M), the W/2 SW/4 of Section 3 (Units M and L), and the SW/4 NW/4 (Unit E) of Section 3, Township 24 South, Range 33 East, NMPM, Lea County, New Mexico; and
- (2) Pursuant to 19.15.15.13.C NMAC, approve an unorthodox location for the completed interval to reflect the non-standard location of the final perforation point. The final perforation point will be located at 1,626 feet from the North line and 344 feet from the West line (Unit E) of Section 3, and therefore encroaches on the spacing and proration unit to the North.

As support for this application, EOG provides the following additional information and exhibits:

Exhibit A is the amended Well Location and Acreage Dedication Plat (Form C-102), which shows, as drilled, the non-standard project area and non-standard location for the **Neptune 10 State Com No. 701H Well**.

Exhibit B a land plat for Sections 3 and 10 and the surrounding sections that shows the **Neptune 10 State Com No. 701H Well** in relation to the adjoining units and existing wells. The affected tract for EOG's request for a non-standard location and non-standard project area is the NW/4 NW/4 of Section 3.

Exhibit C is a waiver letter from Devon Energy Production Company, LP. EOG and Devon are the only two interest owners in the three state leases covering the project area, and the interests are identical in each of the leases. Devon is the sole interest owner besides EOG in the NW/4 NW/4 of Section 3. Devon has expressly waived its right to object to EOG's request for a non-standard project area and non-standard location. Accordingly, there are no affected parties. However, a courtesy copy of this application has been provided to the New Mexico State Land Office.

Your attention to this application is appreciated.

Sincerely,

Jordan L. Kessler

ATTORNEY FOR EOG RESOURCES, INC.

cc: New Mexico State Land Office
P.O. Box 1148
Santa Fe, NM 87504

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., Sante 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.
Sante 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 API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name NEPTUNE 10 STATE COM			⁶ Well Number #701H
⁷ GRID No.		⁸ Operator Name EOG RESOURCES, INC.			⁹ Elevation 3616'

¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	10	24-S	33-E	-	450'	SOUTH	381'	WEST	LEA

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	3	24-S	33-E	-	1626'	NORTH	344'	WEST	LEA

¹² Dedicated Acres 280.00	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

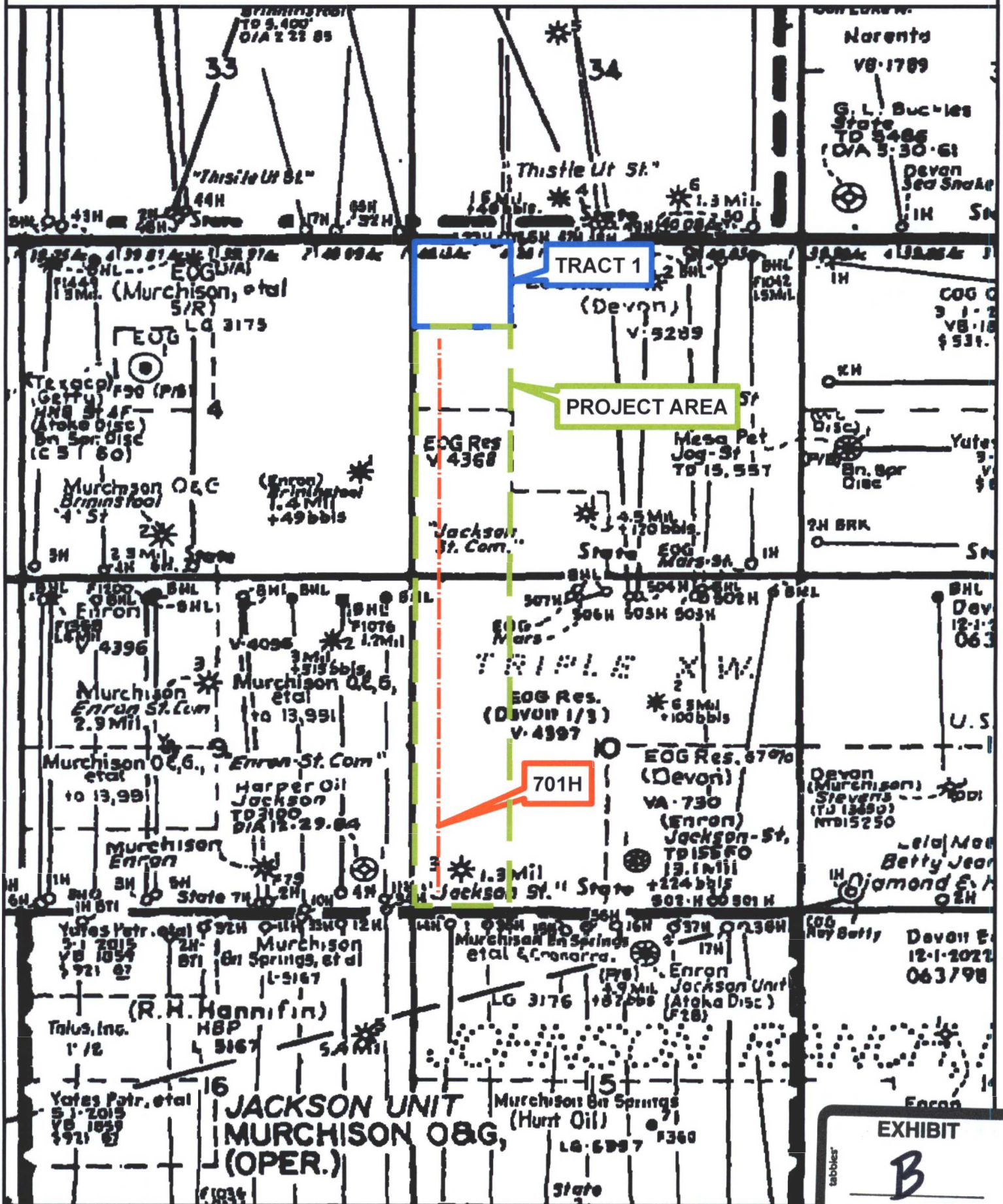
<p>BOTTOM HOLE LOCATION NEW MEXICO EAST NAD 1927 X=736875 Y=455261 LAT.: N 32.2493066 LONG.: W 103.5671375 MD = 21273'</p> <table border="1"> <thead> <tr> <th>POINT</th> <th>UTM ZONE 13 COORDINATES</th> </tr> </thead> <tbody> <tr> <td>SHL</td> <td>X=2083428.557 Y=11700100.193</td> </tr> <tr> <td>HEEL</td> <td>X=2083409.826 Y=11699979.920</td> </tr> <tr> <td>BHL</td> <td>X=2083273.504 Y=11708579.684</td> </tr> </tbody> </table> <p>SURFACE LOCATION NEW MEXICO EAST NAD 1927 X=736977 Y=446780 LAT.: N 32.2259910 LONG.: W 103.5670020</p> <p>HARDLINE CROSSING (HEEL) NEW MEXICO EAST NAD 1927 X=736958 Y=446659 LAT.: N 32.2256611 LONG.: W 103.5670678 MD = 12659'</p> <p>DETAIL VIEW A SCALE: 1" = 400'</p>	POINT	UTM ZONE 13 COORDINATES	SHL	X=2083428.557 Y=11700100.193	HEEL	X=2083409.826 Y=11699979.920	BHL	X=2083273.504 Y=11708579.684	<p>¹⁷OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p> <p>¹⁸SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true to the best of my belief.</p> <p>10/04/2016</p> <p>Date of Survey Signature and Seal of Professional Surveyor</p> <p>Certificate Number _____</p>
POINT	UTM ZONE 13 COORDINATES								
SHL	X=2083428.557 Y=11700100.193								
HEEL	X=2083409.826 Y=11699979.920								
BHL	X=2083273.504 Y=11708579.684								

EXHIBIT

A

EOG RESOURCES, INC.

NEPTUNE 10 STATE COM #701H UNORTHODOX LOCATION NOTICE TRACT PLAT
TOWNSHIP 24 SOUTH RANGE 33 EAST, LEA COUNTY, NM



EXHIBIT

B



EOG Resources, Inc.
5509 Champions Drive
Midland, Texas 79706
(432) 686-3600

February 27, 2017

Re: Request for Waiver of Non-Standard Project Area and Waiver of NSL
Neptune 10 State Com # 701H
Section 10 and Section 3, Township 24 South, Range 33 East, Lea County, New Mexico

SHL: 450 feet from the South line of Section 10 and 381 feet from the West line of Section 10
First Perforation: 330 feet from the South line of Section 10 and 361 feet from the West line of Section 10
BHL/Last Perforation: 1,626 feet from the North line of Section 3 and 344 feet from the West line of Section 3

Dear Ms. Glass

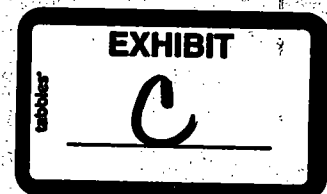
EOG Resources Inc. ("EOG") is the operator of the Neptune 10 State Com #701H well (the "Well") in the W/2 W/2 of Section 10 and the W/2 W/2 of Section 3, Township 24 South, Range 33 East, N.M.P.M., Lea County, New Mexico. EOG permitted the Well with 320 dedicated acres, comprised of Units D, E, L, & M of Sections 10 and 3. Due to mechanical difficulties experienced in drilling the Well, EOG had to stop the Well short of its intended bottom hole location and now has to form a non-standard project area covering Units D, E, L, & M of Section 10 and Units M, L, & E of Section 3. Because the proposed project area does not include Unit D of Section 3, it is considered non-standard pursuant to NMAC 19.15.16.7(M). EOG has also submitted an application to the New Mexico Oil Conservation Division requesting a non-standard location for the above-referenced well.

Accordingly, EOG respectfully requests Devon Energy Production Company, L.P. waive any objection to the Well's proposed non-standard project area and to the Well's non-standard location. Please indicate your agreement to waive any objection to this non-standard project area and non-standard location by having an authorized party date and execute both copies of this letter in the spaces provided below on behalf of your company. Please return one executed copy to the attention of Gavin Smith at the address listed below.

Should you have any questions, please contact me directly at (432) 686-3720. Thank you in advance for your prompt attention to this matter.

Sincerely,

Gavin Smith
Land Representative



Devon Energy Production Company, L.P. hereby waives its right to object to the application of EOG Resources, Inc. for an administrative order from the New Mexico Oil Conservation Division approving EOG's application for a non-standard project area and non-standard location for the Neptune 10 State Com 701H Well.

☒ I waive the right to object to the captioned well's current non-standard project area and non-standard location.

☐ I do not waive the right to object to the captioned well's current non-standard project area and non-standard location.

BY:

TITLE: Land Supervisor

DATE: 2/27/17

McMillan, Michael, EMNRD

From: Jordan L. Kessler <JLKessler@hollandhart.com>
Sent: Wednesday, March 22, 2017 2:58 PM
To: McMillan, Michael, EMNRD
Cc: Lowe, Leonard, EMNRD
Subject: RE: EOG Resources Neptune 10 State Com Well No. 701H NSL and NSP application

Mike,

EOG plans to permit and drill a well that will cross into the NW/4 NW/4 of Section 3 offsetting the Neptune 10 State Com 701H. The NW/4 NW/4 will therefore be developed.

Thanks,
Jordan

From: McMillan, Michael, EMNRD [mailto:Michael.McMillan@state.nm.us]
Sent: Wednesday, March 22, 2017 11:11 AM
To: Jordan L. Kessler
Cc: Lowe, Leonard, EMNRD
Subject: EOG Resources Neptune 10 State Com Well No. 701H NSL and NSP application

Jordan:

I am working on the NSL and NSP application for the EOG Resources Neptune 10 State Com Well No. 701H.

Will EOG develop the NW/4 NW/4 of Section 3?

This is the last thing I need to recommend signature by the Director.

Mike

MICHAEL A. MCMILLAN

Engineering Bureau, Oil Conservation Division

1220 south St. Francis Dr., Santa Fe NM 87505

O: 505.476.3448

Michael.McMillan@state.nm.us

NSL- 7510

NEPTUNE 10 STATE OCM # 701H

Wells

Operators

Operator Data

OCD Only

Administration

OCD Permitting

S.H.

[Home](#) [Land Searches](#) [Land Details](#)**Section : 10-24S-33E**

Type: Normal

Total Acres: 640

County: Lea (25)

D (D) State ¹ State ² (25) 40	C (C) State ¹ State ² (25) 40	B (B) State ¹ State ² (25) 40	A (A) State ¹ State ² (25) 40
E (E) State ¹ State ² (25) 40	F (F) State ¹ State ² (25) 40	G (G) State ¹ State ² (25) 40	H (H) State ¹ State ² (25) 40
L (L) State ¹ State ² (25) 40	K (K) State ¹ State ² (25) 40	J (J) State ¹ State ² (25) 40	I (I) State ¹ State ² (25) 40
M (M) State ¹ State ² (25) 40	N (N) State ¹ State ² (25) 40	O (O) State ¹ State ² (25) 40	P (P) State ¹ State ² (25) 40

Note¹ = Surface Owner RightsNote² = Sub-Surface Mineral Rights**Land Restrictions**

No land restrictions found for this section.

[Return to Search](#)

OCD Permitting

BH.

[Home](#) [Land Searches](#) [Land Details](#)**Section : 03-24S-33E**

Type: Normal

Total Acres: 640.36

County: Lea (25)

D (4) State ¹ State ² (25) 40.13	C (3) State ¹ State ² (25) 40.1	B (2) State ¹ State ² (25) 40.08	A (1) State ¹ State ² (25) 40.05
E (E) State ¹ State ² (25) 40	F (F) State ¹ State ² (25) 40	G (G) State ¹ State ² (25) 40	H (H) State ¹ State ² (25) 40
L (L) State ¹ State ² (25) 40	K (K) State ¹ State ² (25) 40	J (J) State ¹ State ² (25) 40	I (I) State ¹ State ² (25) 40
M (M) State ¹ State ² (25) 40	N (N) State ¹ State ² (25) 40	O (O) State ¹ State ² (25) 40	P (P) State ¹ State ² (25) 40

Note¹ = Surface Owner RightsNote² = Sub-Surface Mineral Rights**Land Restrictions**

No land restrictions found for this section.

[Return to Search](#)