

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 14731
ORDER NO. R-13354-A

APPLICATION OF EOG RESOURCES, INC. FOR
APPROVAL OF ADDITIONAL HORIZONTAL
WELLS IN THE BONE SPRING FORMATION
WITHIN THE POTASH AREA, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 15, 2011, at Santa Fe, New Mexico, before examiner, David K. Brooks.

NOW, on this 4th day of October, 2011, the Division Director, having considered the testimony, the record and the recommendations of the examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) EOG Resources, Inc. ("Applicant") seeks approval of Applications for Permits to Drill (APDs) for three additional wells ("the Proposed Wells") within the Potash Area, as defined by Commission Order No. R-111-P, as amended, in Section 23, Township 19 South, Range 29 East, Eddy County, New Mexico.
- (3) The Proposed Wells are identified as follows:
 - (a) **Parkway 23 State Com. Well No. 5H**, to be drilled from a surface location 930 feet from the North line and 220 feet from the West line (Unit D) of Section 23 to a terminus 800 feet from the North line and 330 feet from the East line of said section.

(b) **Parkway 23 State Com. Well No. 6H**, to be drilled from a surface location 2150 feet from the North line and 50 feet from the West line (Unit E) of Section 23 to a terminus 2120 feet from the North line and 330 feet from the East line of said section.

(c) **Parkway 23 State Com Well No. 7H**, to be drilled from a surface location 520 feet from the South line and 200 feet from the West line (Unit M) of Section 23 to a terminus 520 feet from the South line and 330 feet from the East line of said section.

(4) Order No. R-111-P requires an oil and gas operator to provide notice of any proposal to drill a well in the Potash Area to any potash lessee holding leases within one mile of the proposed well's location, and further provides that if the proposed location is within a potash lessee's "life of mine reserves" (LMR) or within a defined buffer zone surrounding an LMR, an application to drill will be approved "only by mutual agreement of lessor and lessees of both potash and oil and gas interests."

(5) However, Order No. R-111-P also provides that APDs may be approved to drill wells in LMRs or buffer zones not approved by agreement if "a clear demonstration is made that commercial potash will not be wasted unduly as a result of drilling the well."

(6) In this case, Applicant gave the required notice to Intrepid Potash Company ("Intrepid"), the only potash lessee within one mile of the locations of the Proposed Wells. Intrepid did not protest applicant's request to drill the Proposed Wells; however, neither did it expressly agree thereto. Due to the absence of express agreement, the Division's Artesia District Office denied Applicant's APDs for the Proposed Wells.

(7) Heretofore, in Order No. R-13354, issued in Case No. 14584 on January 26, 2011, the Division approved Applicant's proposal to drill three wells within Section 23, Township 19 South, Range 29 East, Eddy County, New Mexico ("the Existing Section 23 Wells"); identified as follows:

(a) **Parkway 23 State Com. Well No. 2H** (API No. 30-015-37206), at a surface location 760 feet from the North line and 200 feet from the West line (Unit D) of Section 23 to a terminus 660 feet from the North line and 330 feet from the East line of said section.

(b) **Parkway 23 State Com. Well No. 3H** (API No. 30-015-37207), at a surface location 2050 feet from the North line and 50 feet from the West line (Unit E) of Section 23 to a terminus 1980 feet from the North line and 330 feet from the East line of said section.

(c) **Parkway 23 State Com Well No. 4H** (API No. 30-015-37208), at a surface location 660 feet from the South line and 200 feet from the West line (Unit M) of Section 23 to a terminus 660 feet from the South line and 330 feet from the East line of said section.

(8) At the hearing, Applicant appeared through counsel. Intrepid, though duly noticed, did not appear or otherwise advise the Division of any opposition to this Application.

(9) Applicant presented evidence indicating that the Proposed Wells, though they will be drilled horizontally in the Bone Spring formation, will penetrate the potash-bearing formations, and thus affect potential potash operations, only at their surface location.

(10) Applicant intends to utilize the same well pads approved under Order No. R-13354 for the Proposed Wells.

(11) Authorizing the Proposed Wells will prevent waste by permitting production of hydrocarbons that might not otherwise be produced, and will not cause waste of potash that can now be mined.

IT IS THEREFORE ORDERED THAT:

(1) The application of EOG Resources, Inc. for approval of APDs for the following Proposed Wells in Township 19 South, Range 29 East, in Eddy County, New Mexico, is hereby granted:

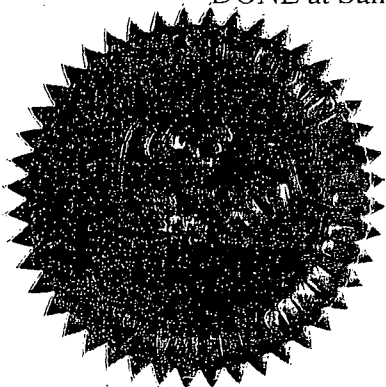
(a) **Parkway 23 State Com. Well No. 5H**, to be drilled from a surface location 930 feet from the North line and 220 feet from the West line (Unit D) of Section 23 to a terminus 800 feet from the North line and 330 feet from the East line of said section.

(b) **Parkway 23 State Com. Well No. 6H**, to be drilled from a surface location 2150 feet from the North line and 50 feet from the West line (Unit E) of Section 23 to a terminus 2120 feet from the North line and 330 feet from the East line of said section.

(c) **Parkway 23 State Com Well No. 7H**, to be drilled from a surface location 520 feet from the South line and 200 feet from the West line (Unit M) of Section 23 to a terminus 520 feet from the South line and 330 feet from the East line of said section.

(2) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director