

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

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

CASE NO. 14781

APPLICATION

EOG RESOURCES, INC. ("EOG") applies to the New Mexico Oil Conservation Division for approval to drill three additional horizontal wells in the Bones Spring formation within the Potash Area underlying Section 23, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. In support of this application, EOG states:

1. EOG Resources, Inc. is the lessee of certain oil and gas rights under Section 23, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. EOG has the right to develop the oil and gas reserves underlying this property.
2. Section 23 is State land that is located within the Potash Area as defined by Order No. R-111-P.
3. In January, 2011, under Order No. 13354 entered in Case No. 14584, the Division approved the following horizontal wells in the Bone Spring formation, Turkey Track Bone Spring Pool:
 - a. the Parkway 23 State Com Well No. 2H, which has been drilled at a surface location 760 feet from the North line and 200 feet from the West line and to which is dedicated a 160-acre project area comprised of the N/2 N/2 of said Section 23;

b. the Parkway 23 State Com Well No. 3H, which has been drilled at a surface location 2050 feet from the North line and 50 feet from the West line and to which is dedicated to a 160-acre project area comprised of the S/2 N/2 of said Section 23; and

c. the Parkway 23 State Well No. 4H, which has been drilled at a surface location 660 feet from the South line and 200 feet from the West line and to which is dedicated a 160-acre project area comprised of the S/2 S/2 of said Section 23.

4. In June of 2011, EOG submitted Applications for Permit to Drill (Form C-101) and Well Location and Acreage Dedication Plats (Form C-102) to the Division's district office for approval of three additional horizontal wells at the same general surface location, in the same formation/pool, and involving the same project areas as the wells approved under Order No. 13354, namely:

a. the Parkway 23 State Com Well No. 5H, to be drilled at a surface location 930 feet from the North line and 220 feet from the West line and a bottom hole location 800 feet from the North line and 330 feet from the East line, and to be likewise dedicated the project area comprised of N/2 N/2 of Section 23;

b. the Parkway 23 State Com Well No. 6H, to be drilled at a surface location 2150 feet from the North line and 50 feet from the West line and a bottom hole location 2120 feet from the North line and 330 feet from the East line, and to be likewise dedicated to the project area comprise of the S/2 N/2 of Section 23; and

c. the Parkway 23 State Well No. 7H, to be drilled at a surface location 520 feet from the South line and 200 feet from the West line and a bottom hole

location 520 feet from the South line and 330 feet from the East line, and to be likewise dedicated the S/2 S/2 of Section 23.

5. EOG intends to expand and utilize the same well pads approved under Order No. R-13354 for these additional horizontal wells.

6. The Division's district office has denied these Applications for the same reasons it denied the applications for the wells eventually approved by Division Order R-13354, namely that these surface locations are allegedly within an approved Life-of-Mine Reserve ("LMR") or its buffer zone.

7. As demonstrated by the record in Case No. 14584, which resulted in Order No. R-13354, the drilling of the additional Parkway 23 State Com Well Nos. 5H and 6H, and the Parkway 23 State Well No. 7H, in the Bone Spring formation at the proposed surface locations will not result in undue waste of potash deposits or constitute a hazard to or interfere with the mining of existing potash reserves.

8. Approval of these additional horizontal wells in the Bone Spring formation at the proposed surface locations will afford EOG the opportunity to produce its just and equitable share of hydrocarbons underlying state lands, will prevent waste and protect correlative rights.

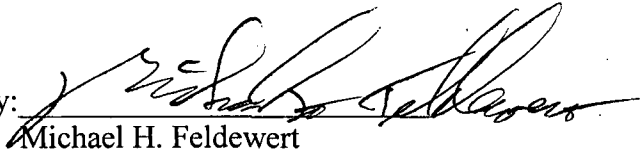
9. EOG has provided notice of this application to Intrepid Potash Company, Attn: Tom McGuire, 6288 Hobbs Highway, Carlsbad, New Mexico 88220.

WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 15, 2011, and that, after notice and hearing, the Division approve the proposed Parkway 23 State Com Well Nos. 5H, 6H, and the Parkway 23 State Well No. 7H.

Respectfully submitted,

HOLLAND & HART, LLP

By:

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", is written over a horizontal line.

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ATTORNEYS FOR EOG RESOURCES, INC.

CASE _____:

Application of EOG Resources, Inc. for approval of additional horizontal wells in the Bone Spring formation within the Potash Area, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Parkway 23 State Com Well Nos. 5H and 6H, and its proposed Parkway 23 State Well No. 7H, as additional horizontal wells in the Bone Spring formation within the Potash Area underlying Section 23, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. This area was the subject of Order No. R-13354 entered in Case No. 14584, which approved the Parkway 23 State Com Well Nos. 2H and 3H, and the Parkway 23 State Well No. 4H, as horizontal wells in the Bone Spring formation at similar surface locations. The proposed additional horizontal wells will likewise be drilled to an approximate depth of 8400 feet in the Turkey Track Bone Spring Pool. Said location is within the Potash Area and located approximately 17 miles northeast of Carlsbad, New Mexico.