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July 19, 2011

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14723

Dear Florene:

Enclosed for filing, on behalf of EOG Resources, Inc., are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the August 18, 2011 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for EOG Resources, Inc.

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2011 JUL 18 PM 1:45

Parties Being Pooled

Margaret Rhea
Estate of Wirt Rhea, deceased
8917 Livenshire
Dallas, Texas 75238

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF EOG RESOURCES, INC.
FOR APPROVAL OF A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 14723

APPLICATION

EOG Resources, Inc. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 17 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 17 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16, and has the right to drill a well thereon.
2. Applicant proposes to drill its Sand Tank 17 Fed. Com. Well No. 3 to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate to the well the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 17 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16 to form a non-standard 160 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent. The well will be a horizontal well, with an orthodox surface location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 17, and a terminus at an orthodox location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 16.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 17 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16 for the purposes set forth herein.

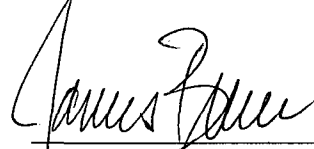
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the S½NE¼ of Section 17 and the S½NW¼ of Section 16, pursuant to NMSA 1978 §§70-2-17, 18.

5. The pooling of all mineral interests underlying the S½NE¼ of Section 17 and the S½NW¼ of Section 16 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S½NE¼ of Section 17 and the S½NW¼ of Section 16;
- B. Pooling all mineral interests in the Bone Spring formation underlying the S½NE¼ of Section 17 and the S½NW¼ of Section 16;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for EOG Resources, Inc.

PROPOSED ADVERTISEMENT

Case No. 14723 :

Application of EOG Resources, Inc. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S/2NE/4 of Section 17 and the S/2NW/4 of Section 16, Township 18 South, Range 30 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the S/2NE/4 of Section 17 and the S/2NW/4 of Section 16 to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the Sand Tank 17 Fed. Com. Well No. 3, a horizontal well to be drilled at an orthodox surface location in the SW/4NE/4 of Section 17, with a terminus at an orthodox location in the SE/4NW/4 of Section 16. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 4-1/2 miles south of Loco Hills, New Mexico.