

HOLLAND & HART^{LLP}



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October 11, 2011

VIA HAND DELIVERY

Jami Bailey, Director
Energy, Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14760

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Re: Application of EOG Resources, Inc., to exclude the Leonard shale interval of the Bone Spring formation from the Special Rules and Regulations for the Red Hills-Bone Spring Pool, Lea County, New Mexico.

Dear Ms Bailey:

Enclosed is EOG Resources, Inc. application in the above-referenced matter and copies of a legal advertisement for each. Applicant requests that you set the matter for hearing before an Examiner of the Oil Conservation Division on November 10, 2011.

Sincerely,

Michael H. Feldewert

MHF

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

IN THE MATTER OF THE APPLICATION
OF EOG RESOURCES, INC., TO
EXCLUDE THE LEONARD SHALE
INTERVAL FROM THE SPECIAL RULES
AND REGULATIONS FOR THE RED
HILLS-BONE SPRING POOL, LEA
COUNTY, NEW MEXICO.

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CASE NO. 14760

APPLICATION

EOG RESOURCES, INC., ("EOG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order excluding the Leonard shale interval of the Bone Spring formation from the Special Rules and Regulations for the Red Hills-Bone Spring Pool. In support of this application, EOG states:

1. The Red Hill-Bone Spring Pool was established by Division Order No. R-9792, dated December 1, 1992, and most recently amended by Order No. R-12317, dated April 1, 2005. The horizontal limits for this pool, as currently designated, are comprised of the following acreage in Lea County, New Mexico:

Township 25 South, Range 33 East

Section 1: All
Section 12: All
Section 13: N/2
Section 24: NE/4

Township 25 South, Range 34 East

Section 6: NW/4; S/2
Section 7: All
Section 8: SW/4
Section 17: N/2
Section 18: All
Section 19: NW/4

2. By Division Order No. 10109, dated April 26, 1994, as amended by Division Order No. 10109-A, dated October 31, 1995, special rules and regulations were promulgated for the Red Hills-Bone Spring Pool, which include the following relevant provisions:

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in that unit.

...

RULE 4. Each well shall be located no nearer than 330 feet to any governmental quarter-quarter section or lot.

3. These special rules and regulations were based on testimony that addressed the deeper sand producing intervals in the Bone Spring formation, which at the time were the only producing intervals within this pool.

4. In addition to the sand intervals within the Bone Spring formation, the Red Hills Bone Spring Pool also currently includes the Leonard shale interval, which is comprised of the interval between 9,250–9,548 feet in EOG's Lomas Rojas 26 State Com. No.6 Well (API No. 3002539705) as shown on the Halliburton Spectral Gamma Ray Dual Spaced Neutron Spectral Density logs for these wells.

5. The shallower Leonard Shale interval of the Bone Spring formation has different geologic and production characteristics than the deeper sand intervals in this formation.

6. As demonstrated by the record in two cases currently pending before the Division, the Special Rules and Regulations for the Red Hills Bone Spring Pool were designed for sand intervals of the Bone Spring formation and not the Leonard Shale

interval of the Bone Spring formation. Compliance with these existing rules will impede EOG's ability to effectively and efficiently drain the reserves in the shallower Leonard shale portion of the Red Hills Bone Spring Pool, thereby resulting in waste. *See* Case Nos. 14738 & 14739 (presented on September 29, 2011).

7. Applicant seeks an order from the Division excluding the shallower Leonard shale interval from the special pool rules and regulations applicable to Red Hills-Bone Spring Pool, thereby bringing this shallower shale interval back under the General Statewide Rules and Regulations for development on standard 40-acre spacing and proration units. *See* 19.15.15.9(A) NMAC.

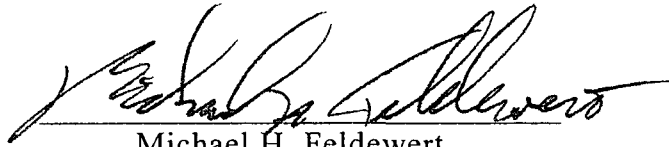
8. The Division has retained jurisdiction of Order Nos. 10109 & 10109-A for the entry of such further orders as the Division may deem necessary. *See* Order 10109-A, decretory ¶ 6.

9. Amending the Special Rules and Regulations for the Red Hills Bone Spring Pool to exclude the Leonard Shale interval is in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, EOG Resources, Inc., requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 10, 2011, and, after notice and hearing as required by law, that the application be approved.

Respectfully submitted,

HOLLAND & HART, LLP

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

Michael H. Feldewert

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ATTORNEYS FOR EOG RESOURCES, INC.

CASE 14760

Application of EOG Resources, Inc., to exclude the Leonard shale interval of the Bone Spring formation from the Special Rules and Regulations for the Red Hills-Bone Spring Pool, Lea County, New Mexico. Applicant seeks an order excluding the Leonard shale interval of the Bone Spring formation from the special rules of the Red Hills-Bone Spring Pool, thereby permitting this interval to be developed under the Division's General Rules and Regulations for development on standard 40-acre spacing and proration units. The horizontal limits of this pool, as currently designated, are comprised of the following acreage in Lea County:

Township 25 South, Range 33 East

Section 1: All
Section 12: All
Section 13: N/2
Section 24: NE/4

Township 25 South, Range 34 East

Section 6: S/2
Section 6: NW/4
Section 7: All
Section 8: SW/4
Section 17: N/2
Section 18: All
Section 19: NW/4

This area is located approximately 20 miles west of Jal, N.M.