

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

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

CASE NO. 16434

APPLICATION

EOG Resources, Inc. ("EOG"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 320-acre spacing and proration unit comprised of the S/2 S/2 of Section 23 and the S/2 S/2 of Section 24, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) allocating production based on surface acreage and ownership in the target interval. In support of its application, EOG states:

1. EOG Resources, Inc. (OGRID No. 7377) is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon.

2. EOG proposes to dedicate the above-referenced spacing and proration unit to its proposed **Spork 24 Fed Com No. 302H Well** (API No. Pending), the **Spork 24 Fed Com No. 502H**, and the **Spork 24 Fed Com No. 503H Well** (API No. Pending), which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 24 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 23. The **Spork 24 Fed Com No. 302H Well** will be drilled in the First Bone Spring. The **Spork 24 Fed Com No. 502H Well** and the **Spork 24 Fed Com No. 503H Well** will be drilled in the Third Bone Spring. The completed intervals for these wells

will commence and remain within the standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

4. The subject acreage contains two ownership depth severances in the Second Bone Spring interval. To protect correlative rights, to prevent waste, and to most effectively develop the acreage, EOG has proposed wells in the intervals above and below the depth severance line.

5. Due to the ownership depth severance, EOG requests the Division include a provision in the pooling order allocating production based on surface acreage and ownership in the targeted interval.

6. EOG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

7. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

8. In order to permit EOG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in the proposed spacing unit should be pooled and EOG Resources, Inc. should be designated the operator of these proposed horizontal wells and spacing units.

WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 4, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating, if necessary, the proposed non-standard spacing unit;
- B. Pooling all uncommitted interests in the spacing and proration unit;
- C. Allocating production based on surface acreage and ownership in the targeted interval;

- D. Designating EOG Resources, Inc. operator of this spacing unit and the horizontal well to be drilled thereon;
- E. Authorizing EOG to recover its costs of drilling, equipping, and completing the wells;
- F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by EOG in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of each well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert

Jordan L. Kessler

Adam G. Rankin

Julia Broggi

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

Email: mfeldewert@hollandhart.com

Email: jlkessler@hollandhart.com

Email: agrankin@hollandhart.com

Email: jbroggi@hollandhart.com

ATTORNEYS FOR EOG RESOURCES, INC.

CASE 16434:

Application of EOG Resources, Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 320-acre spacing and proration unit comprised of the S/2 S/2 of Section 23 and the S/2 S/2 of Section 24, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) allocating production based on surface acreage and ownership in the target interval. Said spacing unit is to be dedicated to applicant's proposed **Spork 24 Fed Com No. 302H Well** (API No. Pending), the **Spork 24 Fed Com No. 502H, and the Spork 24 Fed Com No. 503H Well** (API No. Pending), which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 24 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 23. The completed intervals for these wells will commence and remain within the standard offset required by the rules. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of EOG Resources, Inc. as operator of the wells and a 200% charge for risk involved in drilling said well. Said area is located approximately 24 miles southeast of Artesia, New Mexico.