

HOLLAND & HART^{LLP}



Ocean Munds-Dry
omundsdry@hollandhart.com

November 12, 2010

VIA HAND DELIVERY

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14584

RECEIVED OOD
2010 NOV 12 A 7:35

Re: Application of EOG Resources, Inc. for an order authorizing the drilling of wells in the potash area, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of EOG Resources, Inc. in the above-referenced case as well as a copy of a legal advertisement. EOG requests that this matter be placed on the docket for the December 16, 2010 Examiner hearings.

Sincerely yours,

Ocean Munds-Dry

Ocean Munds-Dry
**ATTORNEYS FOR EOG RESOURCES,
INC.**

cc: Mr. Donny Glanton

Holland & Hart LLP

Phone [505] 988-4421 **Fax** [505] 983-6043 **www.hollandhart.com**

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻

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

**APPLICATION OF EOG RESOURCES, INC.
FOR AN ORDER AUTHORIZING THE DRILLING
OF WELLS IN THE POTASH AREA,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 14584

APPLICATION

EOG RESOURCES, INC. ("EOG"), pursuant to the provisions of Oil Conservation Division Order No. R-111-P ("The Rules and Regulations Governing the Exploration and Development of Oil and Gas in Certain Areas Herein Defined, Which Are Known to Contain Potash Reserves"), applies to the New Mexico Oil Conservation Division for an order approving the drilling of its Parkway 23 State Com Well Nos. 2H and 3H and the Parkway 23 State Well No. 4H within the Potash Area in Section 23, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, and in support of this application, 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. EOG proposes to drill:

a. the Parkway 23 State Com Well No. 2H to be horizontally drilled to test the Bone Spring formation, Turkey Track Bone Spring Pool from a surface location 760 feet from the North line and 200 feet from the West line (Unit D) and a bottomhole location 660 feet from the North line and 330 feet from the East line (Unit A) of Section 23 which will be dedicated to a 160-acre project area located in the N/2 N/2 of said Section 23;

b. the Parkway 23 State Com Well No. 3H to be horizontally drilled to test the Bone Spring formation, Turkey Track Bone Spring Pool from a surface location 2050 feet from the North line and 50 feet from the West line (Unit E) and a bottomhole location 1980 feet from the North line and 330 feet from the East line (Unit H) of Section 23 which will be dedicated to a 160-acre project area located in the S/2 N/2 of said Section 23; and

c. the Parkway 23 State Well No. 4H to be horizontally drilled to test the Bone Spring formation, Turkey Track Bone Spring Pool from a surface location 660 feet from the South line and 200 feet from the West line (Unit M) and a bottomhole location 660 feet from the South line and 330 feet from the East line (Unit P) of Section 23 which will be dedicated to a 160-acre project area located in the S/2 S/2 of said Section 23.

3. Section 23 is State land that is located within the Potash Area as defined by Order No. R-111-P.

4. On July 29, 2009, EOG submitted Applications for Permit to Drill (C-101) and a Well Location and Acreage Dedication Plats (Form C-102) to the Division's district office for its proposed Parkway 23 State Com Well Nos. 2H and 3H and Parkway 23 State Well No. 4H.

5. Order R-111-P requires the oil and gas operator to notify all potash lessees within one mile of the proposed well location. EOG is not aware of any potash lease within one mile of these locations. However, in an abundance of caution, on September 30, 2009, EOG notified IMC Potash and Mosaic Potash of its proposed well locations. Mosaic Potash responded that it has no standing in this particular township. Intrepid Potash-New Mexico, LLC (successor to IMC) responded that it did object to the well locations. EOG met with Intrepid representatives at the Intrepid Mine east of Carlsbad to review its well locations and as a result of that meeting sent

a request for a waiver of objection to Intrepid on April 1, 2010. No waiver has been granted by Intrepid.

6. Pursuant to Division Order R-111-P, the New Mexico Oil Conservation Division notified the Bureau of Land Management and the New Mexico State Land Office of the applications and to determine whether the proposed well locations are within a Life-of-Mine Reserve ("LMR") or its buffer zone. Although the BLM indicated the locations were not in a LMR or buffer zone, the State Land Office indicated the locations were within the buffer zone of a LMR.

7. It does not appear that a potash lessee may underground mine around the existing wellbores in Section 23. There are at least 3 existing wellbores in Section 23. Intrepid has previously waived objection to the drilling of the Parkway 23 State Well No. 1 located in the NE/4 SW/4 and directionally drilled to the SW/4 NW/4 of Section 23.

8. It does not appear that this area contains potash reserves in sufficient thickness and grade to be commercially mineable.

9. There is an idled potash mine (the Eddy Potash mine or the HB Mine) within this section which Intrepid Potash has proposed to convert into a solution mine.

10. Approval of this application will not result in undue waste of potash deposits or constitute a hazard to or interfere with the mining of existing potash reserves.

11. Approval of this application will afford EOG the opportunity to produce its just and equitable share of hydrocarbons underlying state lands, will prevent waste and protect correlative rights.

12. EOG has sent notice of this application to the interested parties listed on **Exhibit A** to this application.

WHEREFORE, EOG Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 16, 2010, and that, after notice and hearing, the Division enter its order authorizing EOG to drill its proposed Parkway 23 State Com Well Nos 2H and 3H and the Parkway 23 State Well No. 4H in Section 23, Township 19 South, Range 29 East.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry
William F. Carr
Ocean Munds-Dry
P.O. Box 2208
Santa Fe, NM 87504-2208
Telephone : (505) 988-4421

ATTORNEYS FOR EOG RESOURCES, INC.

CASE 14584:

Application of EOG Resources, Inc. for an order authorizing the drilling of wells in the Potash Area, Eddy County, New Mexico. Applicant seeks an order approving the drilling of its proposed Parkway 23 State Com Well Nos. 2H and 3H and the Parkway 23 State Well No. 4H within the Potash Area in Section 23, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. These wells will be drilled to an approximate depth of 8400 feet to test the Bone Spring formation, Turkey Track Bone Spring Pool. Said location is within the Potash Area and located approximately 17 miles northeast of Carlsbad, New Mexico.

Exhibit A

**APPLICATION OF EOG RESOURCES, INC. FOR AN ORDER
AUTHORIZING THE DRILLING OF WELLS IN THE POTASH AREA, EDDY
COUNTY, NEW MEXICO.**

Intrepid Potash Company
Attn: Tom McGuire
6288 Hobbs Highway
Carlsbad, New Mexico 88220