

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

**IN THE MATTER OF THE APPLICATION OF
EOG RESOURCES, INC. FOR AMENDMENT
OF DIVISION ORDER NO. R-11389 TO
AUTHORIZE A PRESSURE MAINTENANCE
PROJECT IN THE RED HILLS NORTH UNIT
AREA, ESTABLISH PROCEDURES FOR
APPROVAL OF ADDITIONAL INJECTION WELLS,
AND FOR QUALIFICATION OF THE PROJECT
AREA FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE ENHANCED OIL RECOVERY
ACT, LEA COUNTY, NEW MEXICO.**

RECEIVED
MAY 25 11 31 AM '00

12843
CASE NO. ~~12399~~ (REOPENED)

APPLICATION

EOG Resources, Inc., ("EOG") through its undersigned attorneys, Holland & Hart, LLP, hereby makes application for an order amending Division Order No. R-11389 to authorize a pressure maintenance project in the Red Hills North Unit, by the injection of water through vertical and horizontal wells into the Third Bone Spring Sand of the Red Hills-Bone Spring Pool (unitized interval). EOG also seeks the qualification of this project for the Recovered Oil Tax Rate pursuant to the provisions of the New Mexico Enhanced Oil Recovery Act, and in support of its application states:

1. By Order No. R-11388, issued in Case No. 12329, dated May 25, 2000, the Red Hills North Unit was approved by the Division. In companion Case No. 12399, the Division approved a one-well pilot secondary recovery project for the re-injection of produced water into the Third Bone Spring Sand of the Red Hills-Bone Spring Pool through the perforated interval from approximately 12,240 feet to 12,264 feet in its Vaca "13" Federal Well No. 2 (API No. 30-025-32182) located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 13, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico.

2. The Red Hills North Unit Area is comprised of 3,478 acres, more or less, of state and federal lands located in the following described acreage in Lea County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Section 1: Lots 2 and 3, SW/4 NE/4,
SE/4 NW/4, and S/2
Section 12: All
Section 13: N/2 and E/2 SE/4

TOWNSHIP 25 SOUTH, RANGE 34 EAST, NMPM

Section 6: Lots 6 and 7, E/2 SW/4,
and W/2 SE/4
Section 7: All
Section 8: W/2 SW/4
Section 17: SW/4 NE/4; W/2, and W/2 SE/4
Section 18: All

3. Information acquired from the pilot injection well shows that for secondary recovery operations to be successful in the Unit Area significant changes or modifications in the pressure maintenance process used to produce crude oil from this pool are required and the project must be expanded in size to include the remainder of the Unit Area which will be a new area of activity.

4. EOG seeks amendment of Order No. R-11389 to authorize the implementation of a pressure maintenance project in the Unit Area by the injection of water into the Third Bone Spring Sand of the Red Hills-Bone Spring Pool through new horizontal wells drilled for the purpose of injection and existing vertical and horizontal wells to be converted to injection. The initial horizontal injection well will be the EOG Resources, Inc. Red Hills North Unit Well No. 606 to be drilled from a surface location 530 feet from the South line and 1650 feet from the East line of Section 6, Township 25 South, Range 34 East, NMPM to a depth of approximately 12,200 and then in a west southwesterly direction approximately 7,000 feet in the Third Bone Spring Sand to a target point 1460 feet from the North line and 2150 feet from the West line of Section 12, Township 25 South, Range 33 East, NMPM all within the Unit

CASE 12843:

Application of EOG Resources, Inc. for amendment of Division Order No. R-11389 to authorize a pressure maintenance project in the Red Hills North Unit Area, establish procedures for approval of additional injection wells, and for Qualification of the Project Area for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks amendment of Division Order No. R-11389 which approved a one well pilot pressure maintenance project in the Red Hills North Unit Area to authorize a pressure maintenance project by injection of water into Third Bone Spring Sand of the Red Hills-Bone Spring Pool through new horizontal wells drilled for the purpose of injection and existing vertical and horizontal wells to be converted to injection. Applicants also seek the establishment of an administrative procedure whereby additional wells within the Red Hills North Unit Area can be drilled and/or converted to injection without the necessity of additional hearings and to qualify this project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act. The Red Hills North Unit is located in the following described lands in Lea County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Section 1: Lots 2 and 3, SW/4 NE/4,
SE/4 NW/4, and S/2
Section 12: All
Section 13: N/2 and E/2 SE/4

TOWNSHIP 25 SOUTH, RANGE 34 EAST, NMPM

Section 6: Lots 6 and 7, E/2 SW/4,
and W/2 SE/4
Section 7: All
Section 8: W/2 SW/4
Section 17: SW/4 NE/4; W/2, and W/2 SE/4
Section 18: All

The unit area is located approximately 19 miles northwest of Jal, New Mexico.

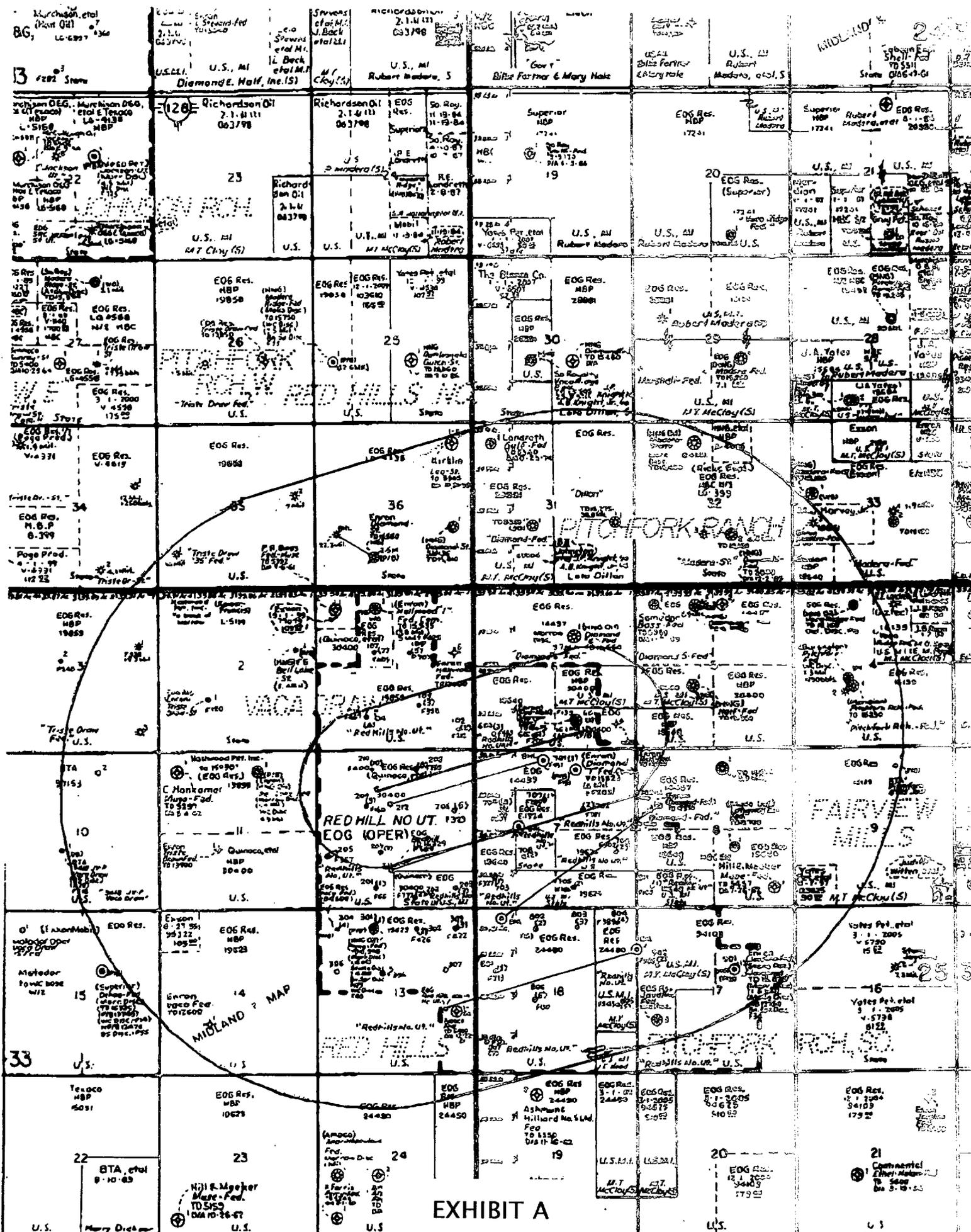


EXHIBIT A

Texaco 8-10-03
 Marathon 7-1-2000
 Pioneer Nat. Res. 6-28-00
 Amerco 12-20-00
 Chevron 10-1-99
 Chevron 9-1-99
 EOG Res. 12-20-00
 EOG Res. 4-1-00

**EXHIBIT A
CASE NO. 12399 (REOPENED)**

**APPLICATION OF
EOG RESOURCES, INC. FOR AMENDMENT
OF DIVISION ORDER NO. R-11389
TO AUTHORIZE A PRESSURE MAINTENANCE
PROJECT IN THE RED HILLS NORTH UNIT AREA,
ESTABLISH PROCEDURES FOR APPROVAL OF
ADDITIONAL INJECTION WELLS,
AND FOR QUALIFICATION OF THE PROJECT
AREA FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE ENHANCED OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.**

NOTIFICATION LIST

Bureau of Land Management
2902 West Second Street
Roswell, New Mexico 88201
Attention: Armando Lopez
Les Babyak

Commissioner of Public Lands
New Mexico State Land Office Building
310 Old Pecos Trail
Santa Fe, New Mexico 87501
Attention: Pete Martinez

Hallwood Petroleum, Inc.
c/o Pure Resources, L.P.
500 West Illinois
Midland, Texas 79701
Attention: J. Robert Ready
Land Director

Mr. Mark McCloy
Post Office Box 1076
Jal, New Mexico 88252