BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. <u>12568</u> De Novo Exhibit A Submitted by: <u>EOG Resources, Inc.</u> Hearing Date: <u>March 30, 2001</u>

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September 29, 2000

EOG Resources, Inc. P.O. Box 2257 Midland, TX 79702 9151 578-5800

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Pogo Producing Company P. O. Box 10340 Midland, Texas 79702-7340

Attention: Mr. Terry Gant

RE: Red Tank "23" Fed Com No. 1 1830' FEL & 1980' FSL Section 23, T-22-S, R-32-E Lea County, New Mexico K0012970

Gentlemen:

EOG Resources, Inc. (EOG) proposes the drilling of the captioned well and the creation of a working interest unit covering all of Section 23, T-22-S, R-32-E. Lea County. New Mexico. The S/2 of Section 23 will be dedicated as the proration unit for the well.

The well is proposed as a 15,400 foot Morrow test. Enclosed for your review and execution are the following items:

- (1) Two (2) original AFE Cost Estimates for the drilling and completion of the well as proposed. Should you desire to participate in this proposed operation, please return one (1) executed copy of the AFE to EOG.
- (2) A 1982 AAPL Form 610 Model Form Operating Agreement and two (2) signature pages for same. Additionally, attached as Exhibit "H" is a 1989 AAPL Form 610RS Model Form Recording Supplement to Operating Agreement and Financing Statement and one (1) signature page for same. Should you desire to participate in this proposed operation, please return one (1) executed signature page of the Operating Agreement and the executed signature page of the Recording Supplement to EOG.

Should you not desire to participate in the drilling of the proposed well. EOG would be interested in obtaining a farmin agreement or term assignment covering your interest in the E/2 SE/4 of Section 23. Due to the time needed to obtain APD approval from the

MNPogo-Proposed JOA-Red Tank 23 Fed Com #1 9-29-00 ltr.doc

Pogo Producing Company September 29, 2000 Page 2

BLM and scheduling for a drilling rig, EOG respectfully requests your earliest possible response to this proposal.

Should you have any questions concerning this proposal, do not hesitate to contact the undersigned at (915) 688-3730. Thank you in advance for your consideration and early response to this proposal.

Sincerely,

EOG RESOURCES, INC.

Larry D. Cunningham Project Landman



October 24, 2000

EOG Resources, Inc. P O Box 2267 Micland: TX 79702 1915: 666-3600

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Pogo Producing Company P. O. Box 10340 Midland. Texas 79702-7340

Attention: Mr. Terry Gent

RE: Red Tank "23" Fed Com No. 1 1830' FEL & 1980' FSL T-22-S. R-32-E Section 23: S/2 Lea County, New Mexico K0012970

Gentlemen:

Pursuant to your desire not to pool your working interest throughout Section 23, EOG has revised the Joint Operating Agreement to cover only the proration unit for this well, i.e. the S/2 of Section 23.

Enclosed you will find replacement pages for the original Joint Operating Agreement you have in your possession to cover only the S/2 of Section 23 and showing your working interest as 25%. After your review please return one (1) fully executed original of the Joint Operating Agreement and AFE to EOG.

Should you have any questions, please give me a call at (915) 686-3730.

Sincerely,

EOG RESOURCES, INC.

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Larry D. Cunningham Project Landman

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November 2, 2000

EOG Resources, Inc. Attn: Larry D. Cunaingham P.O. Box 2267 Midland, Texas 79702 Via Facshille (915) 656-3773 AND CM RRR 7099 3229 0005 5521 0684

Re: Red Tank, SE Prospect Les County, New Mexico Red Tank "23" Fod Com Ns 4 Well SE% NE% Section 23 T-22-S, R-32-E, N.M.P.M. Pogo Lesse L16

Gentlemen:

We have received your letters of September 29, 2000, and October 24, 2000, regarding your proposed Red Tank "23" Fed Com Ne 1 Well, to be located 1,980' FSL and 1,830' FEL of Section 23, T-22-S, R-32-E, N.M.P.M., Lea County, New Maxico, with the S½ of such section to be dedicated to the well. Pogo Producing Company ("Pogo") concurs that a well should be drilled in said Section 23. However, Pogo believes that the initial well in the section should be located in the NE¼ and that the well unit should be the E½ of the section.

With the above in mind, enclosed is Pogo's AFE Me 530193 for a 15,400' Mosrow test well to be located in the SEMNEM of said Section 23, with an EM unit. If you desire to participate in the well, please execute and return one copy of the AFE to us. We will forward you our proposed operating agreement by separate letter.

Should you have any questions regarding this matter, please do not hesitate to contact me at (915) 685-8121.

Very truly yours

POGO PRODÚCING COMPANY

R. Scott McDuniel District Lendman RSM/dkr Enclosures

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EOG Resources, Inc. P.O. Bax 2267 Midland, TX 79702 (915) 686-3600

November 16, 2000

Pogo Producing Company P. O. Box 10340 Midland, Texas 79702-7340

Attention: Mr. Terry Gant

RE: Red Tank "23" Fed Com No. 1 1830' FEL & 1980' FSL Section 23, T-22-S, R-32-E Lea County, New Mexico K0012970

Gentlemen:

Reference is made to those letters dated September 29, 200 and October 24, 2000 concerning EOG Resources, Inc.'s ("EOG") proposal of the captioned well and that letter dated November 2, 2000 wherein Pogo Producing Company ("Pogo") proposed a different location and proration unit orientation.

EOG has filed with the BLM an Application for Permit to Drill (APD) for the captioned well based on a S/2 Section 23 proration unit. EOG has also filed an APD being 1660' FNL & 1980' FEL of Section 23 and being within a proration unit in the N/2 Section 23.

EOG believes the "lay down" proration units in Section 23 to be the optimum method of development based on sound geological, geophysical and engineering interpretations. EOG continues to solicit Pogo's participation in the drilling of the captioned well in the S/2 of Section 23.

Should there be any questions, please feel free to call the undersigned at (915) 686-3730.

Sincerely,

EOG RESOURCES, INC.

Larry D. Cunningham Project Landman

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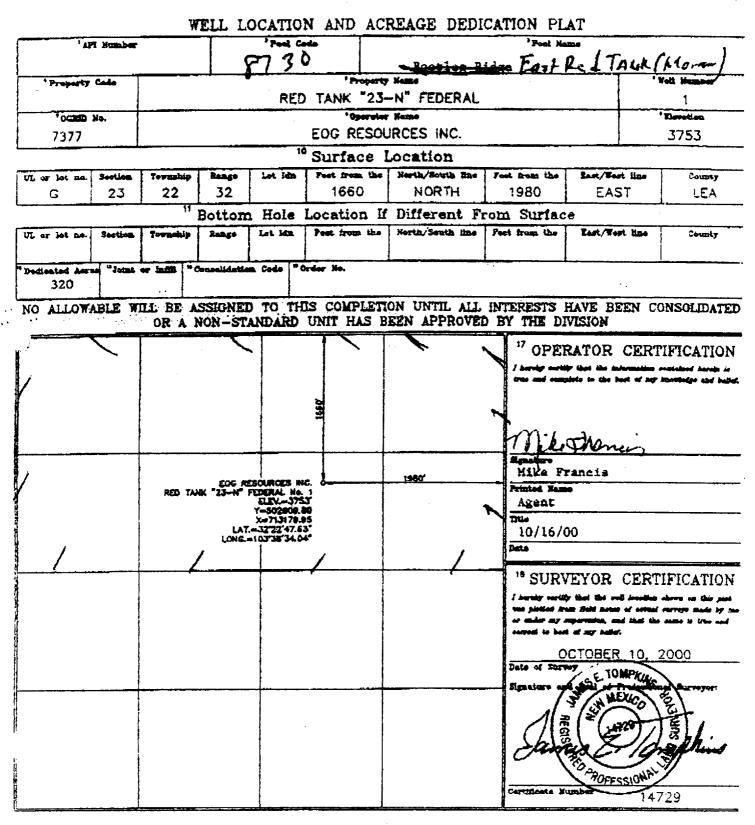
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State of New Mexico Energy, Minerels & Metarni Memograes Depariment

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088 Form C-10 Revised February 21, 199 Instructions on bac Submit to Appropriate District Offic State Lease - 4 Copie Fee Lease - 3 Copie

AMENDED REPOR



JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA HYDE PARK ESTATES SANTA FE, NEW MEXICO 87501

(505) 982-2043 (505) 982-2151 (FAX)

December 26, 2000

Via Fax and U.S. Mail

William F. Carr Campbell, Carr, Berge & Sheridan, P.A. P.O. Box 2208 Santa Fe, New Mexico

> Re: Pogo Producing Company/EOG Resources, Inc. Section 23, Township 22 South, Range 32 East, N.M.P.M. Lea County, New Mexico

Case Nos. 12552 and

Dear Mr. Carr:

As you know, Pogo has proposed a Morrow well in the SE4NE4 of Section 23 to EOG, with an E½ well unit, and has forwarded an AFE to EOG for its execution. EOG has proposed a Morrow well in the NW4SE4 of Section 23 to Pogo, with a S½ well unit, and has forwarded an AFE to Pogo for its execution. Compulsory pooling applications on these two proposals are set for the January 11, 2001 Oil Conservation Division docket.

Pogo is aware that EOG is building a location in the SW¼NE¼ of Section 23, and has plans to commence drilling a well at that location before the January 11th hearing. Pogo can only assume that EOG is attempting to short-circuit the pooling proceedings before the Division by drilling the subject well and dedicating thereto the N½ of Section 23. The pooling cases were to be heard on December 21, 2000, but EOG asked that they be continued to January 11th. I now believe that EOG asked for the continuance with full knowledge that it would seek to commence the well before the Division hears the pooling cases. I also note that both of EOG's proposed locations are in the E½ of Section 23, which gives the appearance that EOG agrees with Pogo that a standup E½ well unit is the proper way to develop Section 23.

Pogo believes that the orientation of the well unit, and the initial well's location, should be decided before the Division, and

requests confirmation by Noon on December 28, 2000 that EOG will not commence the above well before this matter is resolved in the pooling cases now before the Division. If such confirmation is not received, Pogo will take such steps as it deems necessary to preserve the status quo pending a decision by the Division.

Very truly yours,

James Bruce

Attorney for Pogo Producing Company

cc: David Catanach (via fax) Terry Gant (via fax)

CAMPBELL, CARR, BERGE

8 SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL WILLIAM F. CARR BRADFORD C. BERGE MARK F. SHERIDAN MICHAEL H. FELDEWERT TANYA M. TRUJILLO ROBERT J. SUTPHIN, JR. JACK M. CAMPBELL 1916-1999 JEFFERSON PLACE SUITE I - IIO NORTH GUADALUPE POST OFFICE BOX 2208 SANTA FE, NEW MEXICO 87504-2208 TELEPHONE: (505) 988-4421 FACSIMILE: (505) 983-6043 E-MAIL: law@westofpecos.com

December 28, 2000

BY FACSIMILE AND U.S. MAIL

FAX NO. (505) 982-2151

James Bruce, Esq. Post Office Box 1056 Santa Fe, New Mexico 87504

Re: Applications of EOG Resources, Inc and Pogo Producing Company for compulsory pooling, Section 23, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico.

Dear Mr. Bruce,

As you are aware, EOG Resources, Inc. owns 100% of the working interest in the N/2, SW/4 and W/2 SE/4 of Section 23, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico. EOG's interest is covered by a single federal lease. Pogo Producing Company owns the working interest in the W/2 SE/4 of this section.

By letter dated September 29, 2000 EOG proposed to Pogo the drilling of a well to test the Morrow formation on a spacing unit comprised of the S/2 of Section 23 and the creation of a working interest unit covering all of Section 23. In the alternative, EOG sought a farmin agreement or term assignment covering Pogo's interest in this section. EOG requested from Pogo the earliest possible response to this proposal due to time needed to obtain APD approval from the BLM and to schedule a rig. Pogo declined to participate in a well drilled on a S/2 spacing unit and declined to join in a one section working interest unit.

On October 24, 2000, EOG sent to Pogo a revised Joint Operating Agreement for a S/2 unit. Pogo responded on November 2, 2000 by proposing a well on an E/2 spacing unit with the well to be drilled on EOG acreage in the SE/4 NE/4 of this section.

Being unable to reach voluntary agreement for the development of the Morrow reserves

Jim Bruce, Esq. December 28, 2000 Page 2

underlying Section 23, on November 7, 2000, EOG filed an application with the Oil Conservation Division seeking an order compulsory pooling the S/2 of Section for a Morrow well to be drilled in the NW/4 SE/4 of Section 23. This case was scheduled for hearing on December 7, 2000.

On November 16, 2000, EOG wrote to Pogo and advised Pogo that it had filed with the BLM an Application for Permit to Drill a well on a N/2 spacing unit in Section 23 and advised Pogo that it believed that "lay down" proration units in Section 23 were the optimum method of developing this acreage.

It is my understanding that the hearing on EOG's application was continued to January 11, 2001 at Pogo's request because one of Pogo's witnesses was unavailable on December 7th and because Pogo advised that it was going to file a competing pooling application. A continuance of EOG's application would avoid multiple hearings in this dispute. Pogo filed an application seeking a Division order pooling the E/2 of Section 23 on December 19, 2000. This application is also set for hearing on January 11, 2001.

EOG has proceeded with its plans for the development of its Morrow reserves underlying Section 23 in accordance with its letter to Pogo dated November 16, 2000. EOG's Application for Permit to Drill has been approved by the Bureau of Land Management covering a standard 320-acre N/2 spacing unit which is comprised of 100% federal lands under one federal lease (copy enclosed). EOG will drill this well. Accordingly, the NE/4 of Section 23 may not be dedicated to an E/2 spacing unit in Section 23.

Furthermore, unless a voluntary agreement is reached with Pogo for the development of the S/2 of Section 23, EOG intends to proceed with the hearing set for January 11, 2001 for an order pooling this acreage.

Very truly yours.

cc: Mr. David Catanach (By Facsimile)

Larry D. Cunningham w/enc. EOG Resources, Inc.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT ROSWELL DISTRICT OFFICE 2909 West Second Street Roswell, New Mexico 88201-2019

IN REPLY REFER TO: 3160 (3105.2-2)

MAR 1 4 2001

EOG Resources, Inc. Attn: Mike Francis P.O. Box 2267 Midland, TX 70702

Dear Mr. Francis:

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Per our telephone conversation of March 13, 2001 you requested our interpretation of Federal Regulation 43 CFR 3105.2-2 as it pertains to the well spacing of Federal wells.

Federal Regulation 43 CFR 3105.2-3 concerning communitizations or drilling agreements states the following:

3105.2-2 Purpose

When a lease or a portion thereof cannot be independently developed and operated in conformity with an established well-spacing or welldevelopment program, the authorized officer may approve communitization or drilling agreements for such lands with other lands, whether or not owned by the United States, upon a determination that it is in the public interest. Operations or production under such an agreement shall be deemed to be operations or production as to each lease committed thereto.

As stated in the regulation the objective of communitization is to provide for the development of separate tracts which cannot be independently developed or operated in conformity with well spacing patterns established in the area. As a general guideline communitization <u>will not</u> be authorized when a single Federal lease or unleased Federal acreage can be fully developed and still conform to an optional (North-South or East-West spacing) pattern established by State order.

In certain instances the Bureau of Land Management will approve a communitization even though the lease can be independently developed in conforms with state established spacing if adequate engineering and /or geological data is presented to indicate that communitizing two or more leases or unleased Federal acreage will result in more efficient drainage of an area.

If you have any questions concerning this matter please call Armando A. Lopez (505)627-0248.

Sincerel

Lary D. Bray Acting Assistant Field Manager, Lands and Minerals Division