

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15555
ORDER NO. R-14224**

**APPLICATION OF EOG RESOURCES, INC. FOR APPROVAL OF A 640-ACRE
NON-STANDARD PROJECT AREA COMPRISED OF ACREAGE SUBJECT TO
A PROPOSED STATE COMMUNITIZATION AGREEMENT, LEA COUNTY,
NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 29, 2016, at Santa Fe New Mexico, before Examiner William V. Jones.

NOW, on this 24th day of October 2016, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) EOG Resources, Inc. ("EOG") seeks an order approving a 640-acre non-standard project area for oil and gas production from the Upper Wolfcamp formation comprised of acreage subject to a Consolidation or Communitization Agreement ("CA") of all lessees approved by (the lessor which is) the Commissioner of Public Lands for the State of New Mexico (the State Land Office "SLO") covering all of Section 26, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) EOG has drilled the following eight wells in Section 26:

- The Lomas Rojas 26 State Com Well No. 701H (API No. 30-025-42568), dedicated to the E/2 E/2 of Section 26;
- The Lomas Rojas 26 State Com Well No. 702H (API No. 30-025-42567), dedicated to the E/2 E/2 of Section 26;
- The Lomas Rojas 26 State Com Well No. 703H (API No. 30-025-42970), dedicated to the W/2 E/2 of Section 26;

- The Lomas Rojas 26 State Com Well No. 704H (API No. 30-025-42971), dedicated to the W/2 E/2 of Section 26;
- The Lomas Rojas 26 State Com Well No. 705H (API No. 30-025-43218), dedicated to the E/2 W/2 of Section 26;
- The Lomas Rojas 26 State Com Well No. 706H (API No. 30-025-43219), dedicated to the E/2 W/2 of Section 26;
- The Lomas Rojas 26 State Com Well No. 707H (API No. 30-025-43220), dedicated to the W/2 W/2 of Section 26;
- The Lomas Rojas 26 State Com Well No. 708H (API No. 30-025-43221), dedicated to the W/2 W/2 of Section 26;

(4) These eight wells are all shown as having been drilled to the total depth on sundry forms in the well files, but only Wells No. 701H, 702H, 703H, and 704H are completed and producing. All wells have been considered as oil wells and have been placed within the Upper Wolfcamp formation, Wildcat; Upper Wolfcamp Pool (Pool Code 98094), and are governed by Division Rule 19.15.15.9(A) NMAC with 40-acre oil spacing and proration units and 330-foot setbacks.

(5) EOG holds title by assignment to the two SLO leases covering this Section 26. EOG also is the operator and only working interest owner within Section 26. The proposed Project Area has 100 percent voluntary commitment of owners of mineral interests.

(6) Notice of the proposed formation of this project area was provided to surrounding lessees and operators within all surrounding 40-acre quarter-quarter sections. Notice was properly provided and no other party appeared at this hearing or otherwise opposed this application.

(7) EOG appeared at the hearing through counsel and presented testimony in support of its application. The creation of this Project Area will enable Applicant more flexibility to locate wells and facilities and will enable EOG to consolidate tank batteries. The production will be gathered, measured, and custody transferred at a central location in the SE/4 SE/4 of Section 26. The Upper Wolfcamp formation and reservoir target extends over the entirety of Section 26. The four wells that have not been completed have the same potential as the four wells that have been completed.

(8) Applicant did not ask for a 640-acre non-standard spacing and proration unit and did not ask for relief from other applicable Division Rules.

(9) Applicant is proposing a Project Area consisting of contiguous standard sized 40-acre oil spacing and proration units substantially in the form of a rectangle.

(10) Applicant has already drilled horizontal wells so as to penetrate or "develop" all sixteen standard sized 40-acre oil spacing and proration units within the

project area. The two SLO leases involved are being held by production within this project area.

(11) Creating one project area over Section 26 will improve flexibility to locate wells anywhere within the project area. EOG will be able to drill additional wells in the future within the Wolfcamp formation without regard for required setbacks and therefore prevent waste and protect correlative rights.

(12) The application should be approved.

(13) All other Division rules should still apply to wells drilled within this Project Area. Each well completed in this Project Area should be separately and accurately reported as to production of oil, gas, and water. Within any 40-acre quarter-quarter section, for any month, the total allocated daily production from all well(s) which "develop" that quarter-quarter section should not exceed the daily oil or gas allowable in place for a standard 40-acre proration unit in the applicable pool.

IT IS THEREFORE ORDERED THAT:

(1) The application of EOG Resources, Inc. ("EOG") to form a 640-acre non-standard project area for oil and gas production from the Upper Wolfcamp formation consisting of all of Section 26, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico is hereby approved.

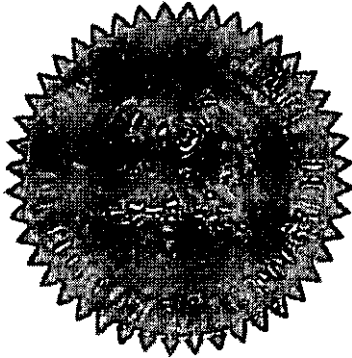
(2) Each well completed in this Project Area shall be separately and accurately reported as to production of oil, gas, and water. Within any 40-acre quarter-quarter section, for any month, the total allocated daily production from all well(s) which "develop" that quarter-quarter section shall not exceed the daily oil or gas allowable in place for a standard 40-acre proration unit in the applicable pool.

(3) Approval of this project area is conditioned upon approval of a voluntary communitization agreement or exploratory unit for these lands by the State Land Office.

(4) Should it be discovered in the future that all interest owners in the project area have not agreed to voluntarily commit their interests, then this order shall no longer be in effect.

(5) Jurisdiction of this case is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director