



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 10, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

EOG Resources, Inc.
c/o Holland & Hart LLP
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Ocean Munds-Dry
omundsdry@hollandhart.com

RE: Division Administrative Order SD-06-10

Dear Ms. Munds-Dry:

Reference is made to your letter of application dated on and submitted to the New Mexico Oil Conservation Division's office in Santa Fe, New Mexico on April 18, 2006 concerning EOG Resources, Inc.'s ("EOG") plans for additional development within its recently established high angle/horizontal directional drilling project area formed pursuant to Division Rule 111.A (9) and comprising a single 319.58-acre lay-down deep gas spacing unit in the West Cottonwood Creek-Wolfcamp Gas Pool (75260) underlying Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 7, Township 16 South, Range 25 East, NMPM, Eddy County, New Mexico.

For administrative and record keeping purposes the Division has assigned this matter **Division application reference No. pTDS0-610858242.**

The West Cottonwood Creek-Wolfcamp Gas Pool is currently governed under the provisions of Division Rule 104.C (2), which provides for: (i) 320-acre spacing units comprising any two contiguous quarter sections of a single governmental section; (ii) wells to be located not closer to a quarter section line than 660 feet nor closer to any internal quarter-quarter section line than 10 feet, and (iii) allows for an optional infill well within an existing unit provided the infill well is located in the quarter section not containing the unit's initial producing gas well.

The Division's records indicate that EOG recently drilled (spud date: January 21, 2006) its Yellow "B-7" Fee Well No. 1H (API No. 30-015-34486) from a surface location 1880 feet from the South line and 660 feet from the East line (Unit I) of Section 7 and completed the well within the West Cottonwood Creek-Wolfcamp Gas Pool with a horizontal drainhole ending at a measured depth of approximately 8,133 feet, or 4,694 feet (TVD), at a bottomhole/subsurface location 1733 feet from the South line and 1015 feet from the West line (Lot 3/Unit L) of Section 7. The wellbore directional survey shows the path of this wellbore within the West Cottonwood Creek-Wolfcamp Gas Pool to be a standard pursuant to Division Rules 104.C (2) (a) and 111.A (7).

From your application and the Division's records, EOG now intends to horizontally drill and complete its Yellow "B-7" Fee Well No. 2H (API No. 30-015-34485), which is currently being drilled (spud date: April 2, 2006), as an infill gas well within this 319.58-acre project area from a surface location 760 feet from the South line and 660 feet from the East line (Unit P) of Section 7, which is also within the eastern half of the SE/4 of Section 7 as EOG's existing Yellow "B-7" Fee Well No. 1H, in such a manner that its path meets the set-back requirements of Division Rules 104.C (2) (b) and 111.A (7) for deep gas wells in southeast New Mexico, to a targeted standard bottomhole, or subsurface end-point, location 760 feet from the South line and 660 feet from the West line (Lot 4/Unit M) of Section 7.

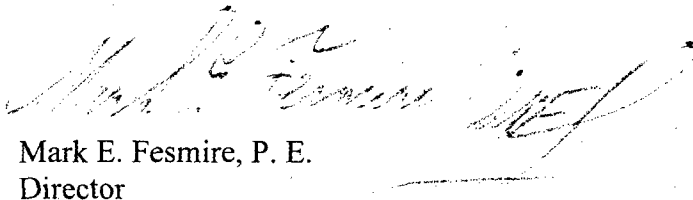
Under the authority granted me under Division Rule 111.D (2), EOG shall be permitted to proceed with its intended development of the Wolfcamp formation within the S/2 equivalent of Section 7 with the subsequent directional drilling and completion of its Yellow "B-7" Fee Well No. 2H; provided however, the path of the wellbore within the West Cottonwood Creek-Wolfcamp Gas Pool shall conform to the standard set back requirements of 660 feet as required under Division Rules 104.C (2), 111.A (7), and 111.C (1).

IT IS FURTHER ORDERED HOWEVER THAT, should the Yellow "B-7" Fee Well No. 2H not be directionally drilled and completed with a horizontal drainhole as proposed above, this order shall be null and void, and the operator shall abandon and plug off the Wolfcamp interval within this well.

The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

Jurisdiction of this cause is retained for the entry of such orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
