



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 14 2001

EOG Resources, Inc.
Attn: Mike Francis
P.O. Box 2267
Midland, TX 79702

Dear Mr. Francis:

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 well-development 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 will not 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.

Sincerely Yours,

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