

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

<p>U.S.</p> <p>Concho Res. et al 12-1-2006 97490 9029</p> <p>W.W. Anderson, et al J.C. Frances Mills Farm, et al</p>	<p>U.S.</p> <p>Pago Prod. 11-1-2006 85735 40022</p> <p>36</p> <p>U.S.</p>	<p>State</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>Yates Per. et al 11-1-2006 14503 22032</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>31</p> <p>U.S.</p>	<p>State</p> <p>Santa Fe Ener Sant Fe Eastern Per. et al 11-1-2006 9438</p> <p>32</p> <p>U.S.</p>	<p>State</p> <p>Yates Per. et al 11-1-2006 14503 22032</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>33</p> <p>U.S.</p>	<p>MIDLAND</p> <p>400</p> <p>Concho Res. et al 12-1-2006 97490</p> <p>U.S.</p>
<p>U.S.</p> <p>Concho Res. et al 11-1-2006 97490</p> <p>U.S.</p>	<p>U.S.</p> <p>Yates Per. et al 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>U.S.</p> <p>Yates Per. et al 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>State</p> <p>Amplex Ener. et al 11-1-2006 14503 22032</p> <p>State</p>	<p>State</p> <p>Meridian 11-1-2006 14503 22032</p> <p>State</p>	<p>U.S.</p> <p>U.S.</p>
<p>U.S.</p> <p>Phillips 11-1-2006 56746</p> <p>U.S.</p>	<p>U.S.</p> <p>Marala 11-1-2006 56746</p> <p>U.S.</p>	<p>U.S.</p> <p>Marala 11-1-2006 56746</p> <p>U.S.</p>	<p>State</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>State</p>	<p>State</p> <p>Meridian 11-1-2006 14503 22032</p> <p>State</p>	<p>U.S.</p> <p>U.S.</p>
<p>U.S.</p> <p>Marala, Inc. et al 11-1-2006 56746</p> <p>U.S.</p>	<p>U.S.</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>U.S.</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>State</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>State</p>	<p>State</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>State</p>	<p>U.S.</p> <p>U.S.</p>
<p>U.S.</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>U.S.</p> <p>EOG Resources 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>U.S.</p> <p>EOG Resources 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>State</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>State</p>	<p>State</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>State</p>	<p>U.S.</p> <p>U.S.</p>
<p>U.S.</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>U.S.</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>U.S.</p> <p>Pago Prod. 11-1-2006 14503 22032</p> <p>U.S.</p>	<p>State</p> <p>Mitchell End 11-1-2006 14503 22032</p> <p>State</p>	<p>State</p> <p>Seaboard Oil 11-1-2006 14503 22032</p> <p>State</p>	<p>U.S.</p> <p>U.S.</p>



September 29, 2000

EOG Resources, Inc.
P.O. Box 2257
Midland, TX 79702
(915) 836-0800

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 farm-in 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

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.

A handwritten signature in black ink, appearing to read "Larry Cunningham". The signature is fluid and cursive, with a long horizontal stroke at the end.

Larry D. Cunningham
Project Landman



October 24, 2000

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

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
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.

A handwritten signature in black ink, appearing to read 'Larry Cunningham'.

Larry D. Cunningham
Project Landman

enclosures



POGO PRODUCING COMPANY

November 2, 2000

EOG Resources, Inc.
Attn: Larry D. Cunningham
P.O. Box 2267
Midland, Texas 79702

VIA FACSIMILE (915) 685-3773 AND
CM FRR 7099 3228 0065 5521 0004

Re: Red Tank, SE Prospect
Lea County, New Mexico
Red Tank "23" Fed Com No 4 Well
SE¼ NE¼ Section 23
T-22-S, R-32-E, N.M.P.M.
Pogo Lease L16

Gentlemen:

We have received your letters of September 29, 2000, and October 24, 2000, regarding your proposed Red Tank "23" Fed Com No 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 Mexico, with the S¼ 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 E¼ of the section.

With the above in mind, enclosed is Pogo's AFE No 530193 for a 15,400' Morrow test well to be located in the SE¼NE¼ of said Section 23, with an E¼ 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 PRODUCING COMPANY

R. Scott McDaniel
District Landman

RSM/dkr

Enclosures

*This was followed by
op'd of Pogo
on 11-7*



EOG Resources, Inc.
P.O. Box 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, 2000 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

OPER. OGHID NO. 7377
 PROPERTY NO. 26922
 POOL CODE 83730
 EFF. DATE 11/22/00
 API NO. 30-025-3520D

Division 10 **GENERAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS**

Form 3180-3
(August 1999)

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

FORM APPROVED
 OMB No. 1004-0136
 Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. 81633	
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator EOG Resources, Inc.		7. If Unit or CA Agreement, Name and No.	
3a. Address P.O. Box 2287, Midland, TX 79702		8. Lease Name and Well No. Red Tank "23-N" Federal No. 1	
3b. Phone No. (include area code) (915)896-3714		9. API Well No.	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface <u>Unit 6</u> 1,660' FNC		10. Field and Pool or Exploratory <u>Red Tank</u> (Morrow)	
At proposed prod. Zone <u>Same</u>		11. Sec., T., R., M., or B&L And Survey or Area Sec 23, T22S, R32E	
14. Distance in miles and direction from nearest town or post office*		12. County or Parish	13. State
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest dip. Unit line, if any)	16. No. of Acres in lease 640	17. Spacing Unit dedicated to this well N/2 320	
18. Distance from proposed location to nearest well, drilling, completed applied for, on this lease, ft. 320	19. Proposed Depth 15,400'	20. BLM/BIA Bond No. on file NM2308	
21. Elevations (Show whether DF, KDB, RT, GL, etc) GL-3753	22. Approximate date work will start 12/10/2000	23. Estimated duration 30 days	

CONTROLLED WATER BASIN

24. Attachments

The following completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- 1. Well plat certified by a registered surveyor.
- 2. A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office)
- 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above)
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <u>Mike Francis</u>	Name (Printed/Typed) Mike Francis	Date 10/13/2000
Title Agent		
Approved by (Signature) <u>LARRY D. BRAY</u>	Name (Printed/Typed) <u>LARRY D. BRAY</u>	Date <u>NOV 17 2000</u>
Title <u>Assistant Field Manager, Lands And Minerals</u>	Office <u>ROSWELL FIELD OFFICE</u>	APPROVED FOR 1 YEAR

Application approval does not warrant or certify the applicant holds legal or equitable title to those acres in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

GNW

Form 3160-3
(August 1999)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
STIPULATIONS

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. 81633	
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allocated or Tribe Name	
2. Name of Operator EOG Resources, Inc.		7. If Unit or CA Agreement, Name and No.	
3a. Address P.O. Box 2267, Midland, TX 79702		8. Lease Name and Well No. Red Tank "23-N" Federal No. 1	
3b. Phone No. (include area code) (915)886-3714		9. API Well No.	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1,860' ENL & 1,960' FEL (Unit Letter G) CARBON DIOXIDE CONTROLLED WATER BASIN At proposed prod. Zone Same		10. Field and Pool or Exploratory Lakeview	
14. Distance in miles and direction from nearest town or post office*		11. Sec., T., R., M., or Bk. And Survey or Area Sec 23, T22S, R32E 83730	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drg. Unit line, if any) 1,860'		12. County or Parish	
16. No. of Acres in lease 840		13. State	
17. Spacing Unit dedicated to this well N/2 320		18. Distance from proposed location to nearest well, drilling, completed applied for, on this lease, ft. 320	
19. Proposed Depth 15,400'		20. BLM/BIA Bond No. on file NM2308	
21. Elevations (Show whether DF, KDB, RT, GL, etc) GL-3753		22. Approximate date work will start 12/10/2000	
		23. Estimated duration 30 days	
24. Attachments			

The following completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|--|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above) |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Mike Francis</i>	Name (Printed/Typed) Mike Francis	Date 10/13/2000
Title Agent		
Approved by (Signature) <i>Larry D. Gray</i>	Name (Printed/Typed) LARRY D. GRAY	Date NOV 17 2000
Title Assistant Field Manager, Lands and Minerals		
Office Midland, Texas		

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

Surface Casing must be in Top of Rustler (Anhydrite) minimum ~~975~~ ft,
- (Top 25 to 50 ft into Rustler.) SEE STIPS AT 975 Ft.

District I
 Max 1580, Hobbs, NM 88241-1580
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Artesia, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-10
 Revised February 21, 199
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copie
 Fee Lease - 3 Copie

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number	'Pool Code F730	'Pool Name Reevies Ridge East Rd TANK (MORAN)
'Property Code	'Property Name RED TANK "23-N" FEDERAL	
'OCED No. 7377	'Operator Name EOG RESOURCES INC.	'Well Number 1
'Elevation 3753		

10 Surface Location

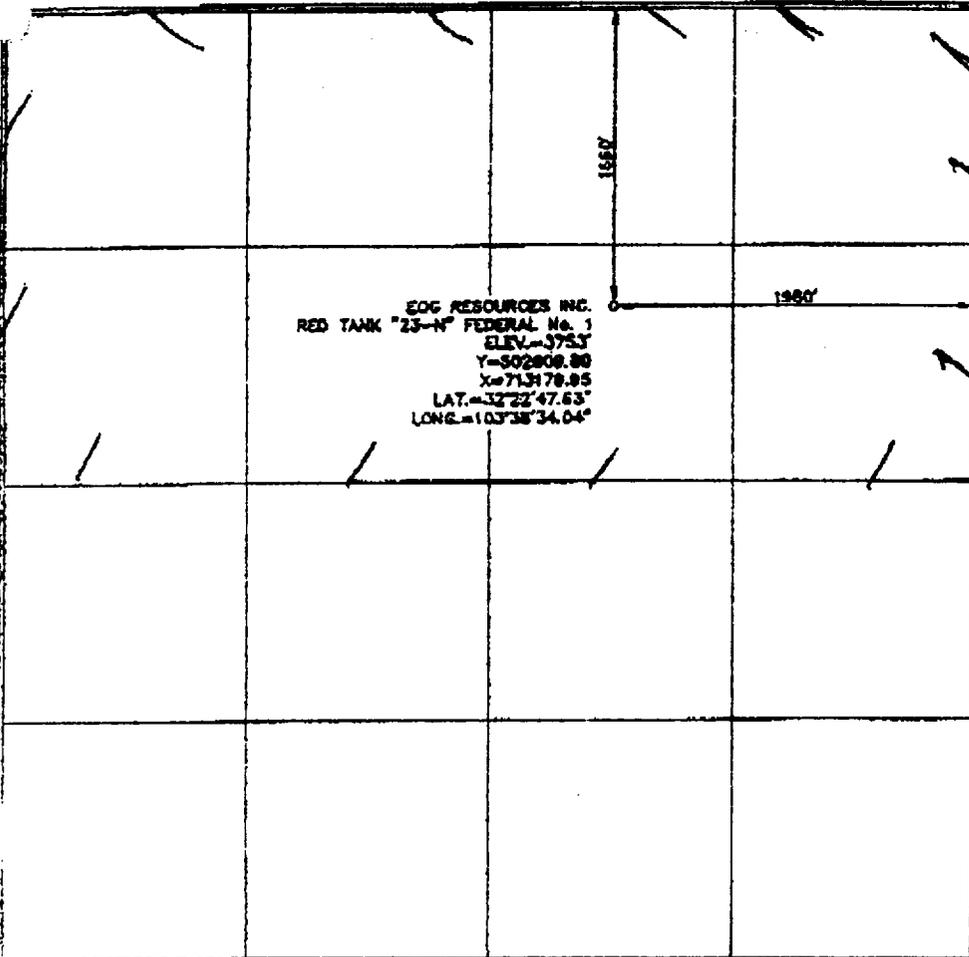
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	23	22	32		1660	NORTH	1980	EAST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

'Dedicated Acres 320	'Joint or Infill	'Consolidation Code	'Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Mika Francis
 Signature
Mika Francis
 Printed Name
 Agent
 Title
 10/16/00
 Date

18 SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to best of my belief.

OCTOBER 10, 2000
 Date of Survey

Signature and Title of Professional Surveyor:
James E. Tompkins
 REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate Number 14729

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 SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 23 to EOG, with an E $\frac{1}{2}$ well unit, and has forwarded an AFE to EOG for its execution. EOG has proposed a Morrow well in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23 to Pogo, with a S $\frac{1}{2}$ 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 SW $\frac{1}{4}$ NE $\frac{1}{4}$ 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 N $\frac{1}{2}$ 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 E $\frac{1}{2}$ of Section 23, which gives the appearance that EOG agrees with Pogo that a standup E $\frac{1}{2}$ 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,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the printed name.

James Bruce

Attorney for Pogo Producing Company

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

CAMPBELL, CARR, BERGE
& 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 1 - 110 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.

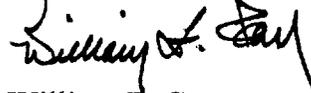
On November 16, 2000, EOG wrote to Pogo and advised Pogo that it had filed with the BLM an Application for Permit to Drill a well on a N/2 spacing unit in Section 23 and advised Pogo that it believed that "lay down" proration units in Section 23 were the optimum method of developing this acreage.

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,



William F. Carr

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 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