



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

November 9, 2005

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: **William F. Carr**

RE: Division Administrative Order SD-05-07

Dear Mr. Carr:

Reference is made to your meeting in Santa Fe, New Mexico at the New Mexico Oil Conservation Division's office on Thursday afternoon, November 3, 2005 with Mr. Michael E. Stogner, Engineer, concerning EOG Resources, Inc.'s ("EOG") plans for additional development within its recently established high angle/horizontal directional drilling project area pursuant to Division Rule 111.A (9) comprising a single 320-acre deep gas spacing unit in the Collins Ranch-Wolfcamp Gas Pool (75010) underlying the W/2 of Section 22, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico.

For administrative and record keeping purposes I have assigned this matter **Division application reference No. pMES0-531333843**.

The Collins Ranch-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 2, 2005) its Nile "22" State Com. Well No. 1 (API No. 30-015-33597) from a surface location 660 feet from the South line and 1880 feet from the West line (Unit N) of Section 22 and completed the well within the Collins Ranch-Wolfcamp Gas Pool with a horizontal drainhole with its end point, or bottomhole location, being 1333 feet from the North line and 1870 feet from the West line (Unit C) of Section 22. The wellbore directional survey shows the path of this wellbore within the Collins Ranch-Wolfcamp Gas Pool to be a standard pursuant to Division Rules 104.C (2) (a) and 111.A (7).

It is the Division's understanding however that EOG now intends to horizontally drill and complete its proposed Nile "22" State Com. Well No. 2H as an infill gas well within this existing 320-acre project area from a surface location 960 feet from the South line and 760 feet from the West line (Unit M) of Section 22, which is also within the southern half of the SW/4 of Section 22 as EOG's existing Nile "22" State Com. Well No. 1, 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 660 feet from the North line and 760 feet from the West line (Unit D) of Section 22.

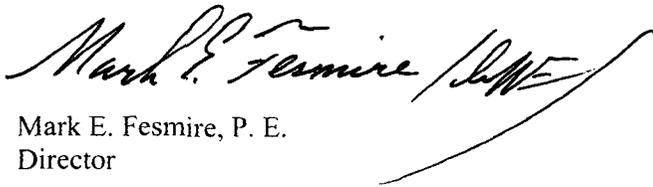
Under the authority granted me under Division Rule 111.D (2), EOG shall be permitted to proceed with its intended development of the Wolfcamp formation within the W/2 of Section 22 with the drilling of its proposed Nile "22" State Com. Well No. 2H; provided however, the path of the wellbore within the Collins Ranch-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 THAT, should the proposed Nile "22" State Com. Well No. 2H not be 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
U. S. Bureau of Land Management – Carlsbad
New Mexico State Land Office – Santa Fe
File: Division administrative application reference No. pMES0-531334263.