



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

**April 7, 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: William F. Carr**

**RE: Division Administrative Order SD-06-02**

Dear Mr. Carr:

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 January 13, 2006 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 West Cottonwood Creek-Wolfcamp Gas Pool (75260) underlying the E/2 of Section 13, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico.

For administrative and record keeping purposes the Division has assigned this matter **Division application reference No. pTDS0-603036653.**

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: May 16, 2005) its MacKenzie "13" Fee Well No. 3H (*API No. 30-015-34356*) from a surface location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 13 and completed the well within the West Cottonwood Creek-Wolfcamp Gas Pool with a horizontal drainhole ending at a measured depth of approximately 8,472 feet at a bottomhole/subsurface location 757 feet from the North line and 1826 feet from the East line (Unit B) of Section 13. 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).

It is the Division's understanding however that EOG now intends to horizontally drill and complete its proposed MacKenzie "13" Fee Well No. 4H (*API No. 30-015-34466*) as an infill gas well within this 320-acre project area from a surface location 660 feet from the South line and 760 feet from the East line (Unit P) of Section 13, which is also within the southern half of the SE/4 of Section 13 as EOG's existing MacKenzie "13" Fee Well No. 3H, 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 East line (Unit A) of Section 13.

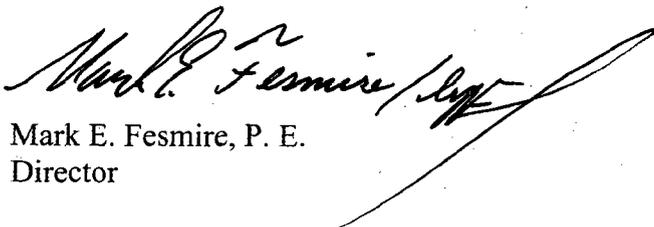
Under the authority granted me under Division Rule 111.D (2), EOG shall be permitted to proceed with its intended development of the Wolfcamp formation within the E/2 of Section 13 with the drilling of its proposed MacKenzie "13" Fee Well No. 4H; provided however, the path of the wellbore within the 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 proposed MacKenzie "13" Fee Well No. 4H 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