



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 2, 2008

Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order SD-200819

Re: EOG Resources, Inc.
Niagra 3 Fee Com. Well No. 2H
API No. 30-015-36168
Unit H, Section 3, Twsp 18S, Range 23E
Eddy County

Dear Ms Munds-Dry:

Reference is made to the following:

- (a) your application (**administrative SD application reference No. pKVR08-15533508**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on June 2, 2008, on behalf of EOG Resources, Inc. (EOG); and
- (b) the Division's records pertinent to EOG's request.

EOG has requested to simultaneously dedicate the N/2 of Section 3, Township 18 South, Range 23 East in Eddy County, New Mexico, in the Wolfcamp formation, to:

(a) its proposed Niagra 3 Fee Well No. 2H (API No. 30-015-36168) (the proposed well), a horizontal gas well to be drilled to the Wolfcamp formation from an unorthodox surface location 2330 feet from the North line and 350 feet from the East line (Unit H) of Section 3 to an orthodox terminus, or bottom-hole location, 1880 feet from the North line and 660 feet from the West line (Unit E) of said section; and

(b) its existing Niagra 3 Fee Com. Well No. 1H (API No. 30-015-36237) (the existing well), a horizontal gas well drilled to the Wolfcamp formation from an unorthodox surface location 760 feet from the North line and 460 feet from the East line (Unit A) of Section 3 to an

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orthodox terminus, or bottom-hole location, 760 feet from the North line and 660 feet from the West line (Unit D) of said section.

The N/2 of Section 3 is a standard 320-acre gas spacing unit in the undesignated Gopher-Wolfcamp Gas Pool (77660). Well density in this pool is governed by statewide Rule 104.C(2), which, as applied to this unit, allows two wells to be completed in the unit, but requires that the wells be in different quarter sections. Because the proposed well will be completed within both quarter sections of this 320-acre unit, and the existing well is also completed in both quarter sections, division approval for simultaneous dedication is required.

Your application on behalf of EOG has been duly filed under the provisions of Division Rules 104.D(3) and 1210.A(2).

It is our understanding EOG has proposed the simultaneous dedication of this unit to the two wells described for geological reasons, in order to prevent waste and maximize production from this unit.

We further understand that all affected persons in offsetting units within the Wolfcamp formation have been duly notified of the filing of this application.

Pursuant to the authority granted by Rule 104.D(3), the above-described simultaneous dedication is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad