

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



April 18, 2008

EOG Resources, Inc.
c/o Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504-2208

MAY 15 2008
OCD-ARTESIA

Attn: Ms. Ocean Munds-Dry, Attorney

Administrative Order SD-200811

Re: **Simultaneous Dedication of a Laydown Gas Spacing Unit Comprising the Lots 9-16, of Irregular Section 3, T-16 South, R-25 East, NMPM, Eddy County, N.M. Undesignated Cottonwood Creek Wolfcamp Gas Pool (Gas-75250)**

Existing horizontal well:

Yangtze B 3 Fee Well No. 1H (API No. 30-015-35327)
Surface Location 2830' FNL & 240' FEL, Lot 9,
Bottomhole Location: 2596' FNL & 660' FWL, Lot 12;

Proposed horizontal well:

Yangtze B 3 Fee Well No. 2H (API No. 30-015-35668)
Surface Location 3400' FSL & 230' FEL, Lot 16,
Bottomhole Location: 3400' FSL & 660' FWL, Lot 13;

Dear Ms Munds-Dry:

Reference is made to the following:

- (a) your application on behalf of EOG Resources, Inc. ("EOG") (**administrative SD application reference No. pKVR0808540318**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 24, 2008; and
- (b) the Division's records pertinent to EOG's request.

The Cottonwood Creek-Wolfcamp Gas Pool is currently governed by Division Rule 104(C) which requires standard 320-acre gas spacing and proration units with wells to



be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. These rules further authorize the drilling of an infill well on a standard 320-acre unit provided that the infill well is not located within the same quarter section as the parent well. Because both the proposed horizontal well and the existing horizontal well will be completed within both quarter sections of this 320-acre unit, Division approval for simultaneous dedication is required.

Your application on behalf of EOG has been duly filed under the provisions of Division Rules 19.15.3.104(3) and 19.15.14.1210.A.

The data presented with your application demonstrates that the horizontal (producing) portion of the wellbores will be fully contained within the "producing area", as this term is defined by Division Rule 19.15.3.111.

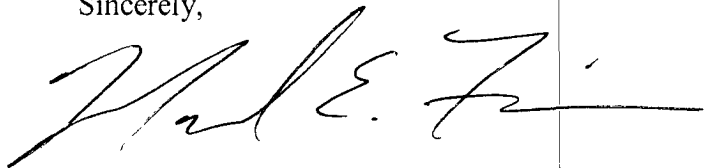
It is our understanding EOG has proposed the simultaneous dedication of this unit to the two wells described for geological reasons, in order to prevent waste and maximize production from this unit.

We further understand that the applicant provided notice of this application to all affected operators and/or interest owners. No interest owner objected to this application.

Pursuant to the authority granted by Rule 19.15.3.104.D(3), the above-described simultaneous dedication is hereby approved.

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/tw

cc: New Mexico Oil Conservation Division – Artesia