



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 11, 2004

Joanna Prukop
Cabinet Secretary
Acting 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

Administrative Order NSL-5053 (NSBHL)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, EOG Resources, Inc., initially submitted to the New Mexico Oil Conservation Division ("Division") on March 24, 2004 (*administrative application reference No. pMES0-408631091*); (ii) my e-mail dated April 29, 2004 for additional information to support your application; (iii) your response by letter dated May 6, 2004 with the necessary information to complete this application; and (iv) the Division's records in Santa Fe: all concerning EOG Resources, Inc.'s ("EOG") request for an unorthodox subsurface gas well location within a standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 23, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, for both the Undesignated Lusk-Morrow Gas Pool (80770) and wildcat Mississippian formation.

This application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2).

It is the Division's understanding that EOG intends to initially drill its Lusk "23" Federal Well No. 2 from a surface location 330 feet from the South and East lines (Unit P) of Section 23 vertically to an approximate depth of 11,100 feet, kick-off to the northwest, and at an approximate depth of 12,050 feet (MD) return to vertical. The well will then be drilled (vertically) to a total depth of 13,724 feet (MD) to test the deeper Mississippian formation to a targeted unorthodox bottom-hole gas well location that is approximately 500 feet from the South and East lines (Unit P) of Section 23. It is further understood from the information provided that the proposed surface location satisfies certain surface issues with the federal surface management agency (U. S. Bureau of Land Management) and the subsurface location will allow EOG to penetrate the shallower Morrow formation at a location appearing to be more geologically favorable within the E/2 of Section 23 than a location considered to be standard for deep gas within southeast New Mexico [see Division Rule 104.C (2) (a)].

In accordance with Division Rules 111.A (7), 111.C (3), and 104.F (2) the planned directional drilling to the above-described subsurface gas well location for EOG's proposed Lusk "23" Federal Well No. 2 within both the Morrow and Mississippian formations underlying the E/2 of Section 23 is hereby approved.

Further, EOG shall comply with all provisions of Division Rule 111 applicable in this matter.

Jurisdiction of this cause 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 "Michael E. Stogner", is written over a horizontal line.

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management - Carlsbad