



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 12, 2004

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

Administrative Order NSL-5097

Dear Mr. Carr:

Reference is made to the following: (i) your application dated July 23, 2004 (*administrative application reference No. pSEM0-420941643*) on behalf of the operator, EOG Resources, Inc. ("EOG"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning EOG's request for an exception to Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for its existing Sibyl "1" Federal Com. Well No. 1 (API No. 30-015-31276), recently completed in the Bone Spring formation at an unorthodox oil well location 1980 feet from the North line and 1134 feet from the East line (Unit H) of Section 1, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

The SE/4 NE/4 of Section 1, being a standard 40-acre oil spacing and proration unit in either the Undesignated North Shugart-Bone Spring (56405) or the Undesignated Walters Lake-Bone Spring (62685) Pool, is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F.

It is the Division's understanding that this well was initially drilled by EOG in 2000 and completed in the Sand Tank-Morrow Gas Pool (84872) within the 320.16-acre standard gas spacing unit comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 1 at a standard deep gas well location, pursuant to Division Rule 104.C (2) (a).

It is further understood that EOG recently abandoned the Morrow interval and recompleted the well up-hole into the Bone Spring formation; however, pursuant to Division Rule 104.B (1), this Bone Spring oil location is considered to be "unorthodox".

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Bone Spring oil well location for EOG's Sibyl "1" Federal Com. Well No. 1 is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.
Director

MEF/mes

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