



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 24, 2005

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-05-02 (reference No. pMES0-523641241): *Wolfcamp gas development within a standard 320-acre deep gas spacing unit comprising the W/2 of Section 13, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Carr:

Reference is made to your letter dated August 17, 2005 and the Division's records concerning EOG Resources, Inc.'s ("EOG") plans for developing the Wolfcamp formation within the W/2 of Section 13, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico, as a horizontal/high angle directional drilling project area pursuant to Division Rules 111.A (9) and 111.C (1).

The Wolfcamp formation within the W/2 of Section 13 is considered to be wildcat pursuant to Division Rule 104.A (1) (b), and is therefore 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.

It is the Division's understanding however that EOG intends to horizontally drill the following two wells and complete both within the gas bearing Wolfcamp formation by locating on and directionally drilling from surface locations within the southern half of the SW/4 of Section 13 that meet the set-back requirements of Division Rule 104.C for deep gas wells in southeast New Mexico to bottomhole, or end-point, locations within the northern half of the NW/4 of Section 13 that also meet these set-back distances:

- (1) MacKenzie "13" Fee Well No. 1-H (API No. 30-015-34097) to be drilled from a standard surface deep gas well location 660 feet from the South line and 760 feet from the West line (Unit M) of Section 13 to a targeted bottomhole location 660 feet from the North line and 760 feet from the West line (Unit D) of Section 13; and

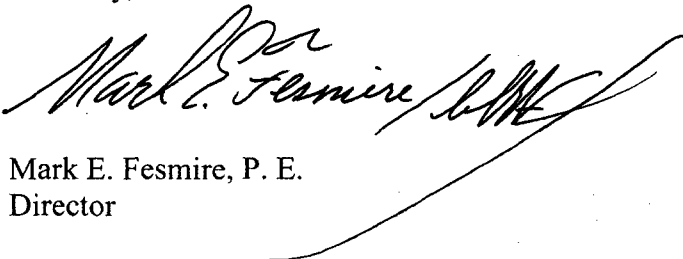
(2) MacKenzie "13" Fee Well No. 2-H to be drilled from a standard surface deep gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 13 to a targeted bottomhole location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 13.

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 W/2 of Section 13. Furthermore, this 320-acre producing area, as defined by Division Rule 111.A (7), for the proposed project area 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).

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