

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



April 10, 2013

EOG Resources, Inc.
c/o Holland & Hart LLP
Attn: Mr. Adam G. Rankin

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6790
Administrative Application Reference No. pPRG1307243272

EOG Resources, Inc.
OGRID 7377
Vaca 11 Federal Com. Well No. 1H
API No. 30-025-

Proposed Location:

| | <u>Footages</u> | <u>Unit</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|--------------------|-------------|-------------|-------------|--------------|---------------|
| Surface | 170 FSL & 1200 FWL | M | 11 | 25S | 33E | Lea |
| Penetration Point | 330 FNL & 1200 FWL | D | 14 | 25S | 33E | Lea |
| Terminus | 230 FSL & 1200 FWL | M | 14 | 25S | 33E | Lea |

Proposed Project Area:

| <u>Description</u> | <u>Acres</u> | <u>Pool</u> | <u>Pool Code</u> |
|-----------------------|--------------|---------------------------------|------------------|
| W/2 W/2 of Section 14 | 160 | Red Hills; Lower Bone Spring | 51020 |
| | | or Red Hills; Upper Bone Spring | 97900 |
| | | Shale | |

Reference is made to your application received on March 12, 2013.

You have requested to drill this horizontal well at an unorthodox oil well location described above in one or more of the referenced pool or formations. The Red Hills; Lower Bone Spring Pool is governed by special pool rules that provide for 80-acre units. The Red Hills; Upper Bone Spring Shale is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units. However, in either case wells must be at least 330 feet from a unit outer boundary. This application is controlled by the 330-foot setbacks and by Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project

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areas. This location is unorthodox in either pool because portions of the proposed completed interval are less than 330 feet from an outer boundary of the project area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons.

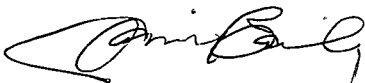
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location 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 5.9 [19.15.15.9 NMAC].

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 "Jami Bailey", with a stylized, cursive script.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Hobbs
United States Bureau of Land Management