

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 26, 2007

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

Administrative Order SD-200702

Re: EOG Resources, Inc.
PO C 1 Fee Well No. 2H
API No. 30-015-34754
Unit P, Section 1, Twsp 16S, Range 24E
Eddy County

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative SD application reference No. pTDS07-02636319**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 25, 2007, on behalf of EOG Resources, Inc. (EOG);

(b) your e-mail communication of February 23, 2007; and

(c) the Division's records pertinent to EOG's request, including the Division's records pertaining to Administrative Order NSL-5527.

EOG has requested to simultaneously dedicate the S/2 of Section 1, Township 16 South, Range 24 East, NMPM, in Eddy County to its proposed PO C 1 Fee Well No. 2H (API No. 30-015-34754) and to its existing PO C 1 Fee Well No. 1H (API No. 30-015-34753). Section 1 of Township 16 South, Range 24 East, is an irregular section that is approximately one mile wide (east to west) and more than one mile long (north to south). The most southerly 320 acres is the designated south half of the section.

The PO C 1 Fee Well No. 1H is a horizontal gas well completed in the Wolfcamp formation, projected from a standard surface location and penetration point 1880 feet from the South line and 660 feet from the East line (Unit I) of Section 1 to an unorthodox terminus 1929 feet from the South line and 1343 feet from the West line (Unit K) of the same section. The unorthodox bottom-hole location of the PO C 1 Fee Well No. 1H was approved in Order NSL-5527.

EOG proposes to complete the PO C 1 Fee Well No. 2H as a horizontal well in the Wolfcamp formation, projected from a standard surface location and penetration point 760 feet from the South line and 660 feet from the East line (Unit P) of Section 1 to a terminus 760 feet from the South line and 660 feet from the West line (Unit M) of the same section. The S/2 of Section 1 is a standard 320-acre unit in the undesignated West Cottonwood Creek-Wolfcamp Gas Pool (75260).

Spacing in the West Cottonwood Creek-Wolfcamp Gas Pool is governed by Statewide Rule 104.C(2), which allows two wells to be completed in a 320-acre unit, but requires that the wells be in different quarter sections. Because both the proposed well and the existing 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 104.D(3) and 1210.A.


It is our understanding that 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 all "affected persons" in all offsetting units within the Wolfcamp formation where EOG does not own 100% of the working interest have been duly notified of the filing of this application.

Pursuant to the authority granted to the Division by Rule 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,


Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia