



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 24, 2007

William F. Carr, Esq. agent for
EOG Resources, Inc.
PO Box 2208
Santa Fe, NM 87504-2208

RE: Ochoa Federal Well No. 1 (API No 30-025-27623)

SHL: 1979 feet from the North Line, 1979 feet from the East line, Unit G
Penetration Point: 2409 feet from the North Line, 2406 feet from the West line, Unit F
BHL: 1444 feet from the South Line, 858 feet from the West line, Unit L
Section 15, Township 25 South, Range 33 East, NMPM, Lea County
Project Area: SW/4 NE/4, SE/4 NW/4, N/2 SW/4 (160 Acres) Section 15 Dedication

Administrative Order NSL-5607

Dear Mr. Carr:

Reference is made to the following:

- (a) your application (administrative application reference No. pCLP0709229651 for non-standard location [NSL]) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 30, 2007, on behalf of EOG Resources, Inc., OGRD 7377 ("EOG"); and
- (b) the Division's records pertinent to EOG's request.

EOG re-entered this inactive deep gas well and attempted to drill the above referenced directional oil well within an approved "project area" to a standard location terminus in the SW/4 SW/4 of Section 15. EOG drilled this well in a southwesterly direction in order to best encounter and recover productive Bone Spring oil. This horizontal well was by necessity terminated at the above referenced unorthodox location and a new project area – as detailed above – was formed.

EOG wishes to produce from the Bone Spring within this project area in the Draper Mill-Bone Spring Pool (96392). The proposed completion would be the first Bone Spring oil well in this project area.

The Draper Mill-Bone Spring Pool is governed by statewide rule Rule 104.B, which requires oil wells to be located no closer than 330 feet from the boundary of a 40 acre spacing

and proration unit. This horizontal well terminus is un-orthodox because it is to be located 124 feet from the southern boundary of the 160-acre project area.

It is our understanding the project area is covered by two Federal leases and ExxonMobil Exploration Company is the only owner of offsetting acreage affected by this well's final location. ExxonMobil has been noticed of this well's final location and has not protested this application.

Division Rule 104.F allows the Division director to grant location exceptions in order to prevent waste and protect correlative rights. Your application on behalf of EOG has been duly filed and notice has been provided as required under the provisions of Division Rules 104.F and 1210.A. In order to prevent waste and protect correlative rights, the above-described non-standard Bone Spring oil well location within the Draper Mill-Bone Spring Pool 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/wvjj

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