

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 24, 2007

EOG Resources, Inc.
c/o Holland & Hart L.L.P.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Ms. Ocean Munds-Dry, Attorney

Re: **Non-Standard Gas Proration Unit**
Lots 1 through 8 of Irregular Section 1,
T-16 South, R-25 East, NMPM,
Eddy County, New Mexico

Administrative Order NSP-1920

Dear Ms. Munds-Dry:

Reference is made to the following:

- (a) your application on behalf of EOG Resources, Inc. ("EOG") for a non-standard gas proration unit (*administrative application reference No. pCLP0712726633*) that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 4, 2007; and
- (b) the Division's records pertinent to your request.

EOG requests approval of a 238-acre non-standard gas proration unit in the Wildcat Wolfcamp Gas Pool (Gas – N/A) comprising Lots 1 through 8 of Irregular Section 1, Township 16 South, Range 25 East, NMPM, Eddy County, New Mexico. This unit is to be dedicated to the proposed Indian "A" 1 Fee Well No. 1H (API No. 30-015-35572) which is to be horizontally drilled from a surface location 220 feet from the North line and 205 feet from the East line (Lot 1) to a standard bottomhole location 972 feet from the North line and 660 feet from the West line (Lot 5) of Irregular Section 1.

The well is not located within one mile of a Division-designated Wolfcamp pool and is therefore subject to Division Rule 19.15.3.104(C) which requires standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

According to Division records, the horizontally drilled Indian "A" 1 Fee Well No. 1H will enter and terminate within the Wolfcamp formation in conformance with the 660 foot setback requirements for this formation, and in conformance with Division Rule 19.15.3.111.

Irregular Section 1 is oversized due to a variation in the legal subdivision of the United States Public Lands Survey. It contains sufficient acreage to form two standard 320-acre units, as well as the proposed 238-acre non-standard unit.

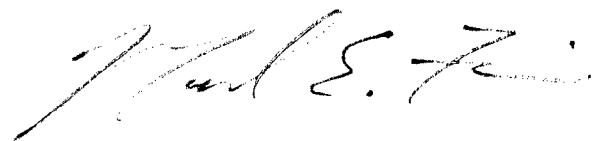
EOG is the leasee of all the acreage in Irregular Section 1.

For applications for non-standard proration units, Division Rule 19.15.14.1210(A)(3) requires notice to all owners of interest in the mineral estate to be excluded from the proration unit in the half section for 320-acre pools. The evidence shows that since no interest owners are being excluded from the proposed unit, the notice requirement does not apply in this situation; Nonetheless, the applicant has provided notice of this application to the operators/and or interest owners offsetting the proposed non-standard unit.

No offset operator and/or interest owner objected to the proposed non-standard unit.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.D(2), a 238-acre non-standard gas proration unit comprising Lots 1 through 8 of Irregular Section 1, Township 16 South, Range 25 East, NMPM, Eddy County, New Mexico is hereby established. This unit shall be dedicated to the applicant's proposed Indian "A" 1 Fee Well No. 1H (API No. 30-015-35572) which is to be horizontally drilled from a surface location 220 feet from the North line and 205 feet from the East line (Lot 1) to a standard bottomhole location 972 feet from the North line and 660 feet from the West line (Lot 5) of Irregular Section 1.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division -- Artesia