



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 12, 2006

EOG Resources, Inc.
c/o Ms. Ocean Munds-Dry
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Ms. Ocean Munds-Dry, Attorney

Re: **PO C 1 Fee Well No. 1H**
API No. 30-015-34753
Surface Location: 1880' FSL & 660' FEL, Unit I
Bottomhole Location: 1929' FSL & 1343' FWL, Unit L
Section 1, T-16 South, R-24 East, NMPM,
Eddy County, New Mexico



Administrative Order NSL-5527

Dear Ms. Munds-Dry:

Reference is made to the following:

- (a) your application on behalf of EOG Resources, Inc. ("EOG") application for a non-standard well location (*administrative application reference No. pTDS0634632007*) for the PO C 1 Fee Well No. 1H that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on December 8, 2006; and
- (b) the Division's records pertinent to your request.

EOG requests approval of an unorthodox well location for its PO C 1 Fee Well No. 1H in the Undesignated West Cottonwood Creek-Wolfcamp Gas Pool (Gas – 75260), which has been drilled as a horizontal producing well from a standard surface location 1880 feet from the South line and 660 feet from the East line (Unit I) to a standard bottomhole location 1929 feet from the South line and 1343 feet from the West line (Unit L) of irregular Section 1, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico. The well is to be dedicated to a standard 320-acre gas spacing and proration unit comprising Units I through P of Section 1.

It is our understanding that during the drilling of the horizontal portion of the well, the wellbore went slightly unorthodox to the north, described as follows:

Between the measured depths of 6,759 feet and 7,181 feet, which correspond, respectively, to well locations 1,980 feet from the South line and 2,989 feet from the East line, and 1980 feet from the South line and 3410 feet from the East line, the wellbore was unorthodox a maximum distance of 9 feet toward the northern boundary of the spacing unit. The total length of the lateral exposed to this 9-foot displacement was 421 feet. At the maximum displacement, the wellbore was located 1988.46 feet from the South line and 3145 feet from the East line of Section 1.

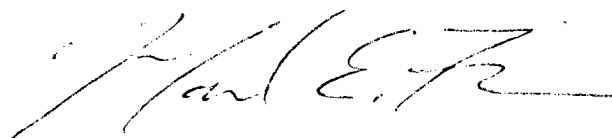
The West Cottonwood Creek-Wolfcamp Gas Pool is currently governed by Division Rule 19.15.3.104(C). Horizontal drilling is governed by Division Rule 19.15.3.111. These rules require that horizontal wells be fully contained within the project area, the project area being defined as that area within the spacing unit that is located 660 feet or more from the outer boundary of the spacing unit.

The affected offset acreage comprises Lots 9 through 16 of Section 1. The applicant stated that EOG is the operator of the affected offset acreage, and that the interest ownership between the subject gas proration unit and the affected offset acreage is common throughout. Consequently, the applicant is not required, and did not provide notice of this application to any party.

Division records show that the PO C 1 Fee Well No. 1 is currently the only producing well in the West Cottonwood Creek-Wolfcamp Gas Pool within the subject spacing unit.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox well location in the Undesignated West Cottonwood Creek-Wolfcamp Gas Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division - Artesia