

August 27, 2002

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

Telefax No. (505) 983-6043

Attention: William F. Carr

Administrative Order NSL-4770

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, EOG Resources, Inc. ("EOG") dated August 14, 2002 (*application reference No. pKRV0-223140443*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning EOG's request for an unorthodox gas well location in both the Morrow and deeper Mississippian formations for its proposed Sand Tank "18" Federal Com. Well No. 1 to be drilled 2175 feet from the South line and 786 feet from the West line (Lot 3/Unit L) of Section 18, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

Lots 1 through 5 and the E/2 W/2 (W/2 equivalent) of Section 18, being a standard 312.36-acre stand-up gas spacing and proration unit for both the Undesignated Sand Tank-Morrow Gas Pool (**84872**) and Undesignated Sand Tank-Chester Gas Pool (**96573**), is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that EOG is seeking this location exception based on a 3-D seismic survey of the immediate area, which indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the shallower Morrow formation than a well drilled at a location considered to be standard within the SW/4 equivalent of Section 18. Topographic conditions further restrict placement of a drilling pad within the NW/4 SW/4 equivalent (Lot 3) of Section 18.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location to both the Morrow and Mississippian formations within this 312.36-acre unit comprising the W/2 equivalent of Section 18 is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad