

Rec: 4-7-2005
Susp: 4-27-2005

PME50-570245830

HOLLAND & HART LLP



William F. Carr
wcarr@hollandhart.com

April 6, 2005

BY HAND DELIVERY

Mr. Michael E. Stogner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Amendment of Administrative Order NSL-5053

Dear Mr. Stogner;

On May 11, 2004, the Oil Conservation Division entered Administrative Order NSL-5053 approving an unorthodox gas well location in the Morrow formation for the Lusk "23" Federal Well No. 2. This well has been drilled from a surface location 300 feet from the South and East lines to a bottomhole location 500 feet from the South and East lines of Section 23, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico.

The application I filed for EOG stated that the location was in the Undesignated Lusk-Morrow Gas Pool. This pool is governed by Special Pool Rules and Regulations (Order No. R-2373, dated November 21, 1962) that provide for 640-acre spacing with no more than one well per quarter section with wells at least 660 feet from the outer boundary of the quarter section on which the well is located. However, these rules were limited to the pool boundaries by Order No. R- 6197 dated November 28, 1979.

Accordingly the unorthodox location for the EOG Lusk "23" Federal Well No. 2 should be in the Undesignated East Lusk-Morrow Pool that includes the N/2 of Section 23. This pool is governed by the general rules of the Division that, as you know, also allow one well per quarter section with 660 foot setbacks.

The Hobbs District Office of the Oil Conservation Division has advised EOG that this is the pool designation on Order No. NSL-5053 is incorrect and should be changed.

If you need anything further from me to correct this error, please advise.

Very truly yours,

William F. Carr
cc: Patrick J. Tower
Donna Mull

2005 APR 7 PM 2 30

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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 11, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

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

Attention: William F. Carr

Administrative Order NSL-5053 (NSBHL)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, EOG Resources, Inc., initially submitted to the New Mexico Oil Conservation Division ("Division") on March 24, 2004 (*administrative application reference No. pMES0-408631091*); (ii) my e-mail dated April 29, 2004 for additional information to support your application; (iii) your response by letter dated May 6, 2004 with the necessary information to complete this application; and (iv) the Division's records in Santa Fe: all concerning EOG Resources, Inc.'s ("EOG") request for an unorthodox subsurface gas well location within a standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 23, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, for both the Undesignated Lusk-Morrow Gas Pool (80770) and wildcat Mississippian formation.

This application has been duly filed under the provisions of Division Rules 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, and 111.C (2).

It is the Division's understanding that EOG intends to initially drill its Lusk "23" Federal Well No. 2 from a surface location 330 feet from the South and East lines (Unit P) of Section 23 vertically to an approximate depth of 11,100 feet, kick-off to the northwest, and at an approximate depth of 12,050 feet (MD) return to vertical. The well will then be drilled (vertically) to a total depth of 13,724 feet (MD) to test the deeper Mississippian formation to a targeted unorthodox bottom-hole gas well location that is approximately 500 feet from the South and East lines (Unit P) of Section 23. It is further understood from the information provided that the proposed surface location satisfies certain surface issues with the federal surface management agency (U. S. Bureau of Land Management) and the subsurface location will allow EOG to penetrate the shallower Morrow formation at a location appearing to be more geologically favorable within the E/2 of Section 23 than a location considered to be standard for deep gas within southeast New Mexico [see Division Rule 104.C (2) (a)].

EOG Resources, Inc.
May 11, 2004
Page 2

Division Administrative Order NSL-5053 (BHL)

In accordance with Division Rules 111.A (7), 111.C (3), and 104.F (2) the planned directional drilling to the above-described subsurface gas well location for EOG's proposed Lusk "23" Federal Well No. 2 within both the Morrow and Mississippian formations underlying the E/2 of Section 23 is hereby approved.

Further, EOG shall comply with all provisions of Division Rule 111 applicable in this matter.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

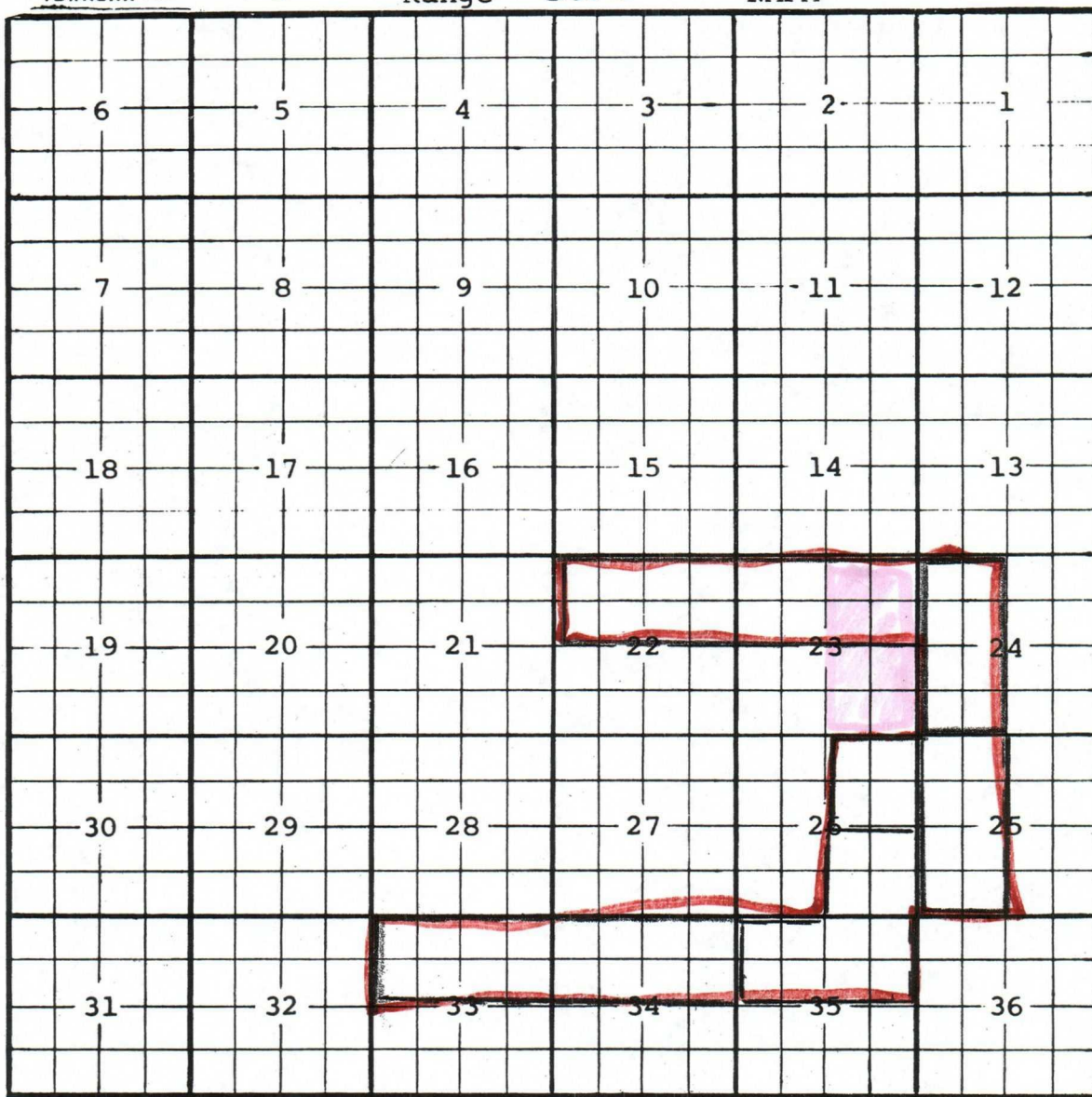
A handwritten signature in black ink, appearing to read "Michael E. Stogner", is written over a horizontal line.

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

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

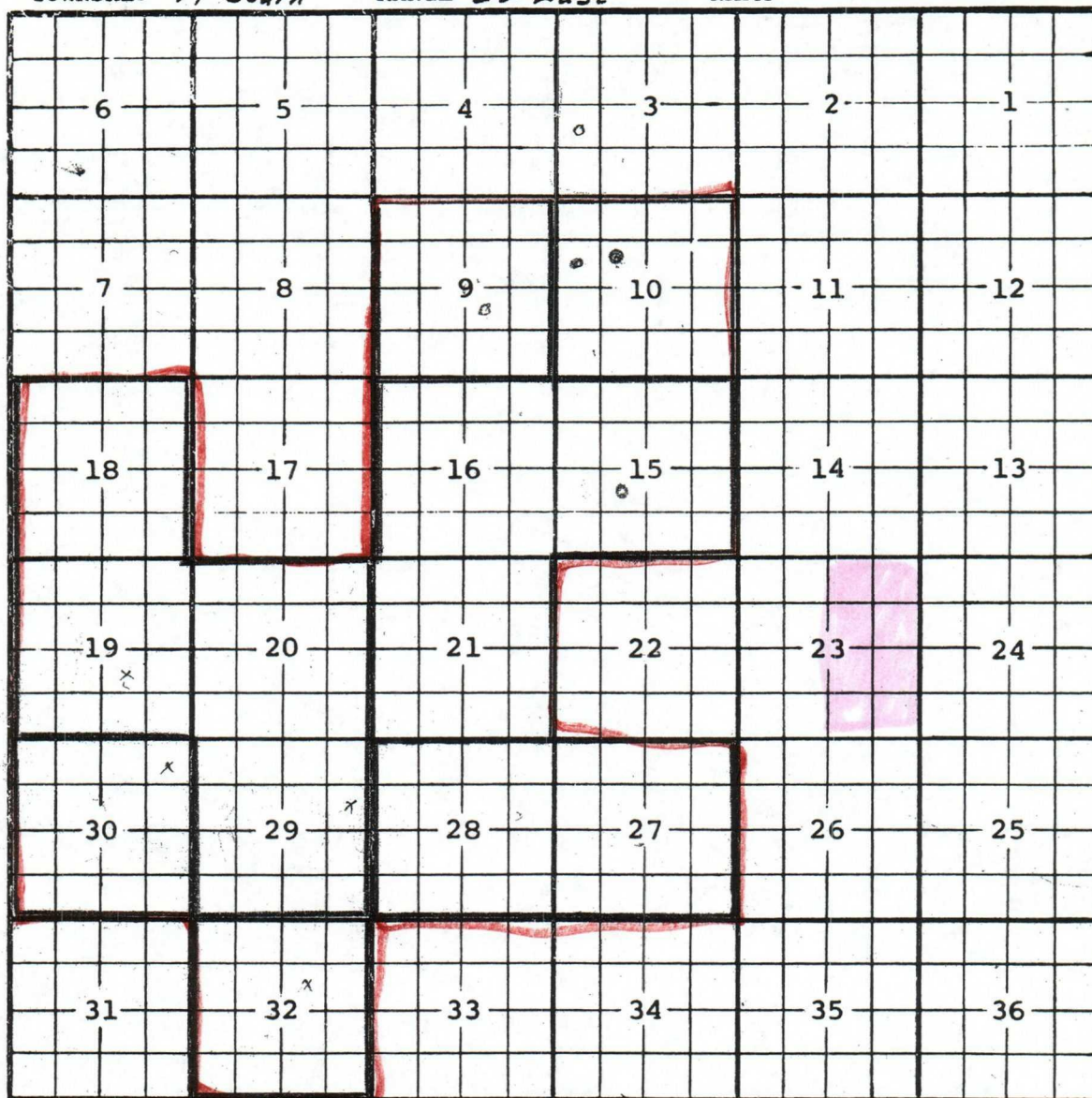
County Lea Pool East Lusk - Morrow Gas
 TOWNSHIP 19 S Range 32 E NMPM



Desc. W/2 Sec. 24 (R-6724-7-16-81)
Ext: W/2 Sec. 25 (R-7158, 12-8-82) Ext: SE/4 Sec. 26, N/2 Sec. 35 (R-9271, 8-28-90)
Ext: N/2 Sec. 22, N/2 Sec. 23 (R-11228, 2-20-02) Ext: NE/4 Sec. 26 (R-11818, 8-26-02)
Ext: N/2 Sec. 33, N/2 Sec. 34 (R-12223, 10-25-04)

COUNTY *Lea*POOL *Lusk-Morrow Gas*TOWNSHIP *19 South*RANGE *32 East*

NMPM



Description: All Sec. 18, 19, 20 & 29 (R-7373, 11-21-62).

Ext: All Secs. 27 & 28, (R-2449, 4-1-63) - All Sec. 30 (R-3219, 5-1-67)

- All Sec. 32 (R-4032, 10-1-70) - All Secs 15, 16 & 21 (R-4339, 7-17-72)

Ext: All Sec 9 (R-5252, 9-1-76) Ext: All Sec 10 (R-5729, 6-1-78)