

William Carr

From: Stogner, Michael, EMNRD [michael.stogner@state.nm.us]
Sent: Tuesday, August 02, 2005 10:08 AM
To: Arrant, Bryan, EMNRD; Catanach, David, EMNRD; Kautz, Paul, EMNRD
Cc: William Carr
Subject: RE: Confusion

Bryan:
Please fax me the information and I'll respond. Thanks.

Bill:
Please sent me what you have under a cover letter. Thanks.

From: Arrant, Bryan, EMNRD
Sent: Tue 8/2/2005 9:56 AM
To: Stogner, Michael, EMNRD; Catanach, David, EMNRD; Kautz, Paul, EMNRD
Subject: Confusion

Mike and David,
Mike Francis called today and faxed over a C-102 showing an intent to have 2 gas wells drilled horizontally from one end to the other in the same W/2 of a 320 acreage dedicated unit. To me this contradicts what the rule for gas well spacing in Rule 104 says.
He told me that he spoke to the both of you today or yesterday? and this was okay and could be approved in our District????
This is for Wolfcamp or deeper wells. I told him yesterday, that he needed to go to Santa Fe and obtain an approval. I'm going by what Rule 104(2)(a)(b) says in the rule.
Please advise. I can't understand how this can be correct.
I'll fax over the information he sent to me today.

Thanks
Bryan Arrant

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William F. Carr
wcarr@hollandhart.com

August 17, 2005

VIA HAND DELIVERY

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

Re: Application of EOG Resources, Inc. for approval of a second horizontal wellbores on a standard 320-acre gas spacing unit, Lea County, New Mexico.

Dear Mr. Stogner:

In response to your e-mail of August 2nd, I am enclosing copies of two Well Location and Acreage Dedication Plats for the horizontal wells that EOG Resources, Inc. is proposing to drill in the W/2 of Section 13, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico. As you will recall, Bryan Arrant believes that Rule 104 does not authorize a second horizontal wellbore on this unit.

Rule 104 allows two wells on a standard deep gas spacing unit. However, it requires that the infill well be located on the quarter section not containing the original well. Since the first horizontal wellbore traverses both quarter sections in this spacing unit, the question is whether or not this wellbore precludes the drilling of the second well unless an exception to this rule is first obtained. Horizontal drilling technology seems to me to be forcing the amendment, of certain spacing and production rules. For example, spacing units are combined for single horizontal well "project areas" / "producing areas," and allowable limits are amended for wells that develop multiple units. Other questions are presented where multiple laterals are proposed from a single vertical wellbore, and now multiple horizontal wellbores are being proposed on a single spacing unit.

It appears to me that in the near future the Division is going to have a number of requests for multiple horizontal wellbores on a single spacing unit and therefore your guidance on how to proceed will be helpful to both the Division and to operators.

Very truly yours,

William F. Carr
Enclosures

cc: Rick Lanning, EOG Resources, Inc.
Bryan Arrant, OCD, Artesia

William Carr

From: Stogner, Michael, EMNRD [michael.stogner@state.nm.us]
Sent: Thursday, August 18, 2005 8:35 AM
To: Arrant, Bryan, EMNRD
Cc: William Carr
Subject: RE: Rule 104/2 lateral gas wells

I received something on this just this-morning and will be getting back with you.

From: Arrant, Bryan, EMNRD
Sent: Wed 8/17/2005 8:23 AM
To: Stogner, Michael, EMNRD
Cc: mike_francis@eogresources.com
Subject: Rule 104/2 lateral gas wells

Hello Mike,

I visited with Mike Francis with EOG Resources, Inc. yesterday as he has submitted on *OCD On-Line* a permit to drill a horizontal well in order to test the Wolfcamp for a gas well completion. The surface location of this well is the Mackenzie 13 Fee # 2H in N-13-16S-24E, Eddy County.

This pertains to the situation that we discussed by e-mail on 8/02/2005.

In my e-mail, I expressed concerns that an approval would be needed from Santa Fe due to the fact that this was in conflict with NMOC Rule 104 (2)(a)(b)????

I need to get your expertise and conclusions on this matter and if you have received feed back with Bill Carr as you had indicated in your last e-mail.

Thanks,

Bryan Arrant

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11/3/2005



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 24, 2005

Mark E. Fesmire, P.E.

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

RE: Division Administrative Order SD-05-02 (reference No. pMES0-523641241): *Wolfcamp gas development within a standard 320-acre deep gas spacing unit comprising the W/2 of Section 13, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Carr:

Reference is made to your letter dated August 17, 2005 and the Division's records concerning EOG Resources, Inc.'s ("EOG") plans for developing the Wolfcamp formation within the W/2 of Section 13, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico, as a horizontal/high angle directional drilling project area pursuant to Division Rules 111.A (9) and 111.C (1).

The Wolfcamp formation within the W/2 of Section 13 is considered to be wildcat pursuant to Division Rule 104.A (1) (b), and is therefore governed under the provisions of Division Rule 104.C (2), which provides for: (i) 320-acre spacing units comprising any two contiguous quarter sections of a single governmental section; (ii) wells to be located not closer to a quarter section line than 660 feet nor closer to any internal quarter-quarter section line than 10 feet, and (iii) allows for an optional infill well within an existing unit provided the infill well is located in the quarter section not containing the unit's initial producing gas well.

It is the Division's understanding however that EOG intends to horizontally drill the following two wells and complete both within the gas bearing Wolfcamp formation by locating on and directionally drilling from surface locations within the southern half of the SW/4 of Section 13 that meet the set-back requirements of Division Rule 104.C for deep gas wells in southeast New Mexico to bottomhole, or end-point, locations within the northern half of the NW/4 of Section 13 that also meet these set-back distances:

- (1) MacKenzie "13" Fee Well No. 1-H (API No. 30-015-34097) to be drilled from a standard surface deep gas well location 660 feet from the South line and 760 feet from the West line (Unit M) of Section 13 to a targeted bottomhole location 660 feet from the North line and 760 feet from the West line (Unit D) of Section 13; and

(2) MacKenzie "13" Fee Well No. 2-H to be drilled from a standard surface deep gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 13 to a targeted bottomhole location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 13.

Under the authority granted me under Division Rule 111.D (2), EOG shall be permitted to proceed with its intended development of the Wolfcamp formation within the W/2 of Section 13. Furthermore, this 320-acre producing area, as defined by Division Rule 111.A (7), for the proposed project area shall conform to the standard set back requirements of 660 feet as required under Division Rules 104.C (2), 111.A (7), and 111.C (1).

The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia