



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 10, 2006

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: Ocean Munds-Dry
omundsdry@hollandhart.com

RE: Division Administrative Order SD-06-11

Dear Ms. Munds-Dry:

Reference is made to your letter of application dated on and submitted to the New Mexico Oil Conservation Division's office in Santa Fe, New Mexico on April 18, 2006 concerning EOG Resources, Inc.'s ("EOG") development within its recently established high angle/horizontal directional drilling project area pursuant to Division Rule 111.A (9) comprising a single 320-acre deep gas spacing unit in the West Cottonwood Creek-Wolfcamp Gas Pool (**75260**) underlying the E/2 of Section 23, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico.

For administrative and record keeping purposes the Division has assigned this matter **Division application reference No. pTDS0-610858423**.

The West Cottonwood Creek-Wolfcamp Gas Pool is currently 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.

The Division's records indicate that EOG recently directionally drilled the two following described wells from surface locations within the southern half of the same quarter section (SE/4 of Section 23):

- (1) Rio Grande "23" Federal Well No. 1H (*API No. 30-015-34296*), spud date: September 11, 2005, located at a surface location 660 feet from the South line and 760 feet from the East line (Unit P) of Section 23 and completed within the West Cottonwood Creek-Wolfcamp Gas Pool with a horizontal drainhole ending at a measured depth of approximately 6,950 feet, or 4,716 feet (TVD), at a bottomhole/subsurface location 1910 feet from the North line and 765 feet from the East line (Unit H) of Section 23; and

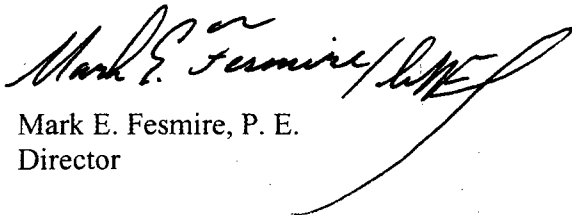
(2) Rio Grande "23" Federal Well No. 2H (*API No. 30-015-34590*), spud date: March 14, 2006, located at a surface location 660 feet from the South line and 1880 feet from the East line (Unit O) of Section 23 and completed within the West Cottonwood Creek-Wolfcamp Gas Pool with a horizontal drainhole ending at a measured depth of approximately 7,767 feet, or 4,653 feet (TVD), at a bottomhole/subsurface location 1413 feet from the North line and 1862 feet from the East line (Unit G) of Section 23.

The directional surveys on both wells show the path of these wellbores within the West Cottonwood Creek-Wolfcamp Gas Pool to be a standard pursuant to Division Rules 104.C (2) (a) and 111.A (7).

Under the authority granted me under Division Rule 111.D (2), EOG is hereby permitted to develop the Wolfcamp formation within the E/2 of Section 23 with its two above-described Rio Grande "23" Federal Wells No. 1H and 2H. 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
U. S. Bureau of Land Management – Carlsbad