



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

EOG Resources, Inc.

c/o Ocean Munds-Dry, Legal Counsel

Holland & Hart LLP

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

July 21, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSL-5429 (BHL) (SD)
(Non-Standard Subsurface Location/Producing Area)

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your original application on behalf of the operator, EOG Resources, Inc.'s ("EOG"), dated and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 18, 2006 (*administrative application reference No. pTDS0-610858024*); (ii) the Division's initial response by voice mail messaging from Mr. Michael E. Stogner, Engineer in Santa Fe, for additional support information; (iii) your e-mail reply with additional information submitted to Mr. Stogner on Wednesday, April 26, 2006; (iv) Mr. Stogner's second request for information by e-mail on Wednesday morning, May 10, 2006; (v) your e-mail response in the afternoon of May 10, 2006; (vi) Mr. Stogner's third request by letter dated May 17, 2006 for an amended filing seeking an unorthodox subsurface location; (vii) Mr. Stogner's letter dated June 13, 2006 **denying** this application; (viii) your amended application (*administrative application reference No. pTDS0-617435945*) resubmitted on June 22, 2006; and (ix) the Division's records in Artesia and Santa Fe, New Mexico: all concerning EOG's plans for additional development within its recently established high angle/horizontal directional drilling project area pursuant to Division Rule 111.A (9) comprising a single 320-acre stand-up deep gas spacing unit in the Undesignated Collins Ranch-Wolfcamp Gas Pool (**75010**) underlying the W/2 of Section 23, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].
- (2) By Order No. R-6810, issued in Case No. 7371 on October 23, 1981 and made effective on November 1, 1981, the Division created and defined the Collins Ranch-Wolfcamp Gas Pool for the production of gas from the Wolfcamp formation; the horizontal limits for this pool currently comprises the following described lands in Eddy County, New Mexico (see also Division Orders No. R-8827, R-8969, R-9096, R-12357, and R-12447 and Division Case No. 13764):

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM

Section 22:	All
Section 27:	W/2
Section 33:	N/2
Section 34:	All
Section 35:	N/2:

- (3) The Collins Ranch-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;
- (4) The Division's records indicate that EOG recently drilled (spud date: March 12, 2006) its Platte "23" Fee Com. Well No. 2-H (API No. 30-015-34489) from a surface location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 23 and completed the well within the gas bearing Wolfcamp formation with a horizontal drainhole with its end point, or bottomhole location, at a measured depth ("MD") of 8,629 feet, or 4,931 feet TVD approximately 754 feet from the North line and 1812 feet from the West line (Unit C) of Section 23; the wellbore directional survey shows the entire path of this wellbore within the Wolfcamp interval to be a standard pursuant to Division Rules 104.C (2) (a) and 111.A (7);
- (5) It is the Division's understanding that EOG intends to drill its Platte "23" Fee Com. Well No. 1-H (API No. 30-015-34773) as an infill gas well within this 320-acre project area from a surface location 600 feet from the South line and 125 feet from the West line (Unit M) of Section 23, vertically to an approximate measured depth (MD) of 4,300 feet; kick-off initially to the northeast and build angle until a 90 degree, more or less, deviation off of vertical is achieved at an approximate measured depth of 5,408 feet; at this point the azimuth of the horizontal wellbore will turn to the north; at an approximate measured depth of 6,600 feet and a subsurface location 2405 feet from the South line and 960 feet from the West line (Unit L) of Section 23 the azimuth of this well will be to the north; the wellbore will continue tracking north to a targeted bottomhole location, or end-point, within the Wolfcamp formation approximately 660 feet from the North line and 760 feet from the West line (Unit D) of Section 23;
- (6) The top of the Wolfcamp formation within this proposed well is expected to be at an approximate depth of 4,920 feet;
- (7) The proposed pathway of the Platte "23" Fee Com. Well No. 1-H vertically from the entry point into the Wolfcamp formation to the kick-off depth and a portion of the curvature will be unorthodox pursuant to Division Rules 104.C (2) (b) and 111.A (13); and
- (8) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved, further, the aforementioned horizontal drainhole of EOG's proposed Platte "23" Fee Com. Well No. 1-H and above-described 320-acre stand-up gas deep spacing unit/project area should continue operating under the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

- (1) EOG Resources, Inc. ("EOG") is hereby authorized to directionally drill its Platte "23" Fee Com. Well No. 1-H (API No. 30-015-34773) as an infill Wolfcamp gas well within an existing high angle/horizontal directional drilling project area pursuant to Division Rule 111.A (9) comprising a single 320-acre stand-up deep gas spacing unit within the Undesignated Collins Ranch-Wolfcamp Gas Pool (75010) underlying the W/2 of Section 23.

Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, from a surface location 600 feet from the South line and 125 feet from the West line (Unit M) of Section 23 in the manner described above in Finding Paragraph No. (5).

(2) Wolfcamp gas production from EOG's propose Platte "23" Fee Com. Well No. 1-H and existing Platte "23" Fee Com. Well No. 2-H (API No. 30-015-34489), located at a surface location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 23 and completed with a horizontal drainhole with its end point, or bottomhole location, approximately 754 feet from the North line and 1812 feet from the West line (Unit C) of Section 23, is to be simultaneously dedicated to this 320-acre stand-up gas spacing unit/project area.

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

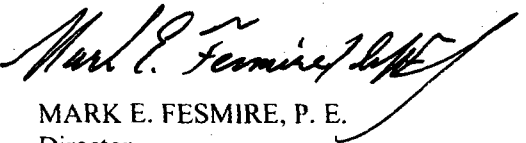
It Is Further Ordered That:

(4) Should the proposed Platte "23" Fee Com. Well No. 1-H not be drilled and completed with a horizontal drainhole as proposed above, this order shall be null and void, and the operator shall abandon and plug off the Wolfcamp interval within this well.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P. E.
Director

MEF/ms

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