



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

February 16, 2007

EOG Resources, Inc.  
c/o Ms. Ocean Munds-Dry  
Holland & Hart, LLP  
P.O. Box 2208  
Santa Fe, NM 87504

**Administrative Order NSL-5569**  
**Administrative Order SD-200701**

**Re: EOG Resources, Inc.**  
**Seine C 6 Fee Well No. 1H**  
**API No. 30-015-34801**  
**Unit P, Section 6, Twsp 16S, Range 25E**  
**Eddy County**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative NSL application reference No. pTDS07-03860570 and administrative SD application reference No. pTDS07-03860705**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 25, 2007, on behalf of EOG Resources, Inc. (EOG);

(b) your supplemental letter dated February 7, 2007; and

(c) the Division's records pertinent to EOG's request.

EOG has requested to drill its proposed Seine C 6 Fee Well No. 1H (API No. 30-015-34801), as a horizontal gas well to be completed in the Wolfcamp formation, from an unorthodox surface location 265 feet from the South line and 200 feet from the East line (Unit P) of Section 6, Township 16 South, Range 25 East, N.M.P.M., in Eddy County, New Mexico. The S/2 of Section 6 will be dedicated to this well to form a standard 320-acre spacing unit in the West Cottonwood Creek-Wolfcamp Gas Pool (75260).

The location of the proposed well is governed by Statewide Rules 104.C(2) and 111.C(2), which, as applied to a horizontal well to be completed in the Wolfcamp, require that all of the projected "producing interval" of the well be located within an area no part of which is more than 660 feet from the outer boundary of the spacing unit. As we interpret your application, this condition will be satisfied, in that we understand that the "entry point" shown on the form C-102 filed with your application (apparently located 760 feet FSL and 660 feet FEL of Section 6, Township 16 South, Range 25 East), is the intended "penetration point," as defined in Rule 111.A(6), and that the well will be completed along a horizontal shaft projected from the "point of entry" to a "terminus" at the designated bottomhole location 760 feet FSL and 660 feet FWL of said Section 6. Based on that understanding, we conclude that only the surface location of the proposed well is unorthodox.

You have also requested that the proposed well and EOG's existing Seine C 6 Fee Well No. 2H (API No. 30-015-34800) be simultaneously dedicated to the proposed unit. Rule 104.C(2), as applied to this unit allows two wells to be completed in the unit, but requires that the wells be in different quarter sections. Division records indicate that the existing Seine C 6 Fee Well No. 2H was completed as a horizontal well in the West Cottonwood Creek-Wolfcamp Gas Pool along a shaft penetrating the formation throughout the entire length, from east to west, of the producing area within this unit and project area. Because both the proposed well and the existing well will be completed within both quarter sections of this 320-acre unit, division approval for simultaneous dedication is required.

Your applications on behalf of EOG have been duly filed under the provisions of Division Rules 104.F, 104.D(3) and 1210.A(2).

It is our understanding that EOG has proposed the requested unorthodox surface location in order to accommodate the requirements of the surface owner for agricultural use of the surface. Because only the surface location of the proposed well will be unorthodox, we conclude that owners and operators in adjacent units will not be affected by the granting of the requested NSL application.

We further understand that EOG has proposed the simultaneous dedication of this unit to the two wells described for geological reasons, in order to prevent waste and maximize production from this unit.

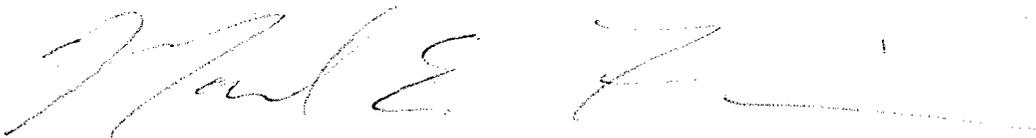
We further understand that all affected persons in offsetting units within the Wolfcamp formation have been duly notified of the filing of this application, in accordance with Rule 1210.A.

Pursuant to the authority granted to the Division by Rules 104.F(2) and 104.D(3), the above-described unorthodox surface location and the above-described simultaneous dedication are hereby approved.

THIS AUTHORIZATION IS CONDITIONED, however, such that (1) if the proposed well encounters the Wolfcamp formation at a location outside the producing area, as defined in Rule 111.A(7), the portion of the wellbore lying outside the producing area shall be cased off and not perforated unless and until approval for an unorthodox downhole location is obtained, and (2) if the proposed well is not drilled and completed with a horizontal drainhole substantially as described above, this order shall be of no further effect, and the well shall not be produced unless and until otherwise ordered by the Division.

Jurisdiction of this case 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 "Mark E. Fesmire". The signature is written in a cursive style with a large initial "M" and "E".

Mark E. Fesmire, P.E.  
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia