NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

April 3, 2007

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

Attention: Ms. Ocean Munds-Dry, Attorney

Re: **Non-Standard Gas Proration Unit**
Lots 1 through 8 of Irregular Section 1,
T-16 South, R-24 East, NMPM,
Eddy County, New Mexico

Administrative Order NSP-1913

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application on behalf of EOG Resources, Inc. ("EOG") for a non-standard gas proration unit *(administrative application referenece No. pTDS0706153088)* that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 2, 2007; and

(b) the Division's records pertinent to your request.

EOG requests approval of a 218.80-acre non-standard gas proration unit in the Undesignated West Cottonwood Creek-Wolfcamp Gas Pool (Gas – 75260) comprising Lots 1 through 8 of Irregular Section 1, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico. This unit is to be dedicated to the proposed PO "A" 1 Fee Well No. 1H (API No. 30-015-35107) which is to be horizontally drilled from a surface location 714 feet from the North line and 660 feet from the East line (Lot 8) to a standard bottomhole location 760 feet from the North line and 660 feet from the West line (Lot 5) of Irregular Section 1.

The well is located one mile from the West Cottonwood Creek-Wolfcamp Gas Pool. This pool is currently governed by Division Rule 19.15.3.104(C) which requires standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

According to Division records, the horizontally drilled PO "A" 1 Fee Well No. 1H will enter and terminate within the Wolfcamp formation in conformance with the 660 foot setback requirements for this pool, and in conformance with Division Rule 19.15.3.111.

Irregular Section 1 is oversized due to a variation in the legal subdivision of the United States Public Lands Survey. It contains two standard 320-acre units, comprised respectively, of Lots 9 through 16 and Units I through P, as well as the proposed 218.80-acre non-standard unit.

EOG is the operator of the two standard 320-acre units within Irregular Section 1, and has, or plans, to develop these units within the Wolfcamp formation.

For applications for non-standard proration units, Division Rule 19.15.14.1210(A)(3) requires notice to all owners of interest in the mineral estate to be excluded from the proration unit in the half section for 320-acre pools. The evidence shows that since no interest owners are being excluded from the proposed unit, the notice requirement does not apply in this situation; Nonetheless, the applicant has provided notice of this application to the operators/and or interest owners offsetting the proposed non-standard unit.

No offset operator and/or interest owner objected to the proposed non-standard unit.

Pursuant to the authority granted under the provisions of Division Rule19.15.3.104.D(2), a 218.80-acre non-standard gas proration unit comprising Lots 1 through 8 of Irregular Section 1, Township 16 South, Range 24 East, NMPM, Eddy County, New Mexico is hereby established. This unit shall be dedicated to the applicant's proposed PO "A" 1 Fee Well No. 1H (API No. 30-015-35107) which is to be horizontally drilled from a surface location 714 feet from the North line and 660 feet from the East line (Lot 8) to a standard bottomhole location 760 feet from the North line and 660 feet from the West line (Lot 5) of Irregular Section 1.

Sincerely,

Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division – Artesia