

Ezeanyim, Richard, EMNRD

From: Dan_McCright@eogresources.com
Sent: Thursday, August 22, 2013 12:01 PM
To: Ezeanyim, Richard, EMNRD
Cc: Pat_Tower@eogresources.com
Subject: E2NE Sec. 27 & E2SE Sec. 22, T26S, R33E, Lea Co., NM: EOG Resources, Inc. - Ophelia 27 #1H well

Richard: With regard to our uncontested compulsory pooling Case No. 15025 and our telephone conversation this morning, please be advised of the following:

a) EOG's geological/engineering interpretation of rock properties of the Leonard/Avalon Shale member of the Bone Spring formation in this area (as well as the overwhelming majority of our competitors) is that a north/south orientation for horizontal wells drilled in this zone results in better well performance than any other horizontal wellbore orientation thereby reducing waste through increased EUR. EOG's preferred orientation for these wells has consistently been north/south as shown on Midland Map's SW Lea Co. map sheet in the Red Hills area.

b) Referring to the Midland Map plat submitted in Case No. 15025, the S2 of captioned Section 27 is a Federal tract subject to lease NMNM 121490 in the name of D.E. Gonzales. Mr. Gonzales is the owner of Federal Abstract Company in Santa Fe, NM and bids on State and Federal lease for various clients. The Federal lease covering the S2 of captioned Section 27 is now owned by EOG Resources, Inc. Section 34, T26S, R33E, Lea Co. NM (contiguous to the south of said Section 27) is an irregular section (320 acres, more or less). The south boundary line of Section 34 lies on the state boundary line between New Mexico and Texas. Section 34 is subject to a Federal oil and gas lease owned by ConocoPhillips.

c) As you can see from the plat, by leaving Section 34 and the S2 of Section 27 available to be communitized for horizontal development (by way of one mile laterals, the shortest treatable lateral length EOG considers generally to be economic), no acreage will be stranded; EOG's plan for future development of this acreage is to drill additional horizontal wells to the west of the Ophelia 27 #1H with laterals confined to the N2 of Section 27 and the S2 of Section 22, thus preserving sufficient acreage to drill economic one mile laterals in all of communitized Section 34 and the S2 of Section 27.

d) As to N2 of captioned Section 22, the NE4 is subject to a Federal lease owned by ConocoPhillips and the NW4 is subject to a Federal lease owned by EOG Resources, Inc.

All of Section 34, the S2 of Section 27, as well as the NE4 & NW4 of Section 22 (among other lands) are all included in ongoing discussions regarding an acreage trade between EOG and ConocoPhillips.

I hope you find the foregoing satisfactory for a favorable and early consideration of our application. If any questions arise, please do not hesitate to call.

D.H. McCright

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