



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 19, 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: Ms. Ocean Munds-Dry

RE: Administrative application (**Division Administrative Application Reference No. pTDS0-612360241**) for EOG Resources, Inc.'s existing Rhine "13" Federal Well No. 1 (**API No. 30-015-34184**) located at an unorthodox Wolfcamp gas well location 1680 feet from the South line and 150 feet from the East line (Unit 1) of Section 13, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, within the S/2 of Section 13, being a standard 320-acre lay-down deep gas spacing unit for the Undesignated Northeast Collins Ranch-Wolfcamp Gas Pool (**96623**).

Dear Ms. Munds-Dry:

I have reviewed your application and the Division's records, due to the number of questionable variables with the drilling, placement, completion, and timing of this well I will not process this filing administratively. A few of my concerns include:

- (1) the well was drilled 10 months ago, is only 150 feet from the outer boundary of its proposed 320-acre spacing unit, and no attempt was made by EOG to obtain a location exception prior to the drilling of this well;
- (2) you state in your application that the U.S. Bureau of Land Management request EOG move from a "standard location" due to topographic concerns; however, no support data was presented; and
- (3) EOG in re-classifying this well as a "monitor well," subjects it to the Division's Stratigraphic Test-Hole policy, see copy attached.

Your administrative application is hereby **denied** and is being returned to you. Should EOG elect not to abide by the Division's Stratigraphic Test-Hole policy, you may reapply through the Division's hearing procedure.

Thank you.

Sincerely,

Michael E. Stogner
Staff Petroleum Engineer

MS:m

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

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13741 Exhibit No. 2

Submitted by:

EOG Resources, Inc.

Hearing Date: July 6, 2006