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December 28, 2000

**BY FACSIMILE AND U. S. MAIL**  
FAX NO. (505) 982-2151

James Bruce, Esq.  
Post Office Box 1056  
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Re: Applications of EOG Resources, Inc and Pogo Producing Company for  
compulsory pooling, Section 23, Township 22 South, Range 32 East,  
NMPM, Lea County, New Mexico.

Dear Mr. Bruce,

As you are aware, EOG Resources, Inc. owns 100% of the working interest in the N/2, SW/4 and W/2 SE/4 of Section 23, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico. EOG's interest is covered by a single federal lease. Pogo Producing Company owns the working interest in the W/2 SE/4 of this section.

By letter dated September 29, 2000 EOG proposed to Pogo the drilling of a well to test the Morrow formation on a spacing unit comprised of the S/2 of Section 23 and the creation of a working interest unit covering all of Section 23. In the alternative, EOG sought a farmin agreement or term assignment covering Pogo's interest in this section. EOG requested from Pogo the earliest possible response to this proposal due to time needed to obtain APD approval from the BLM and to schedule a rig. Pogo declined to participate in a well drilled on a S/2 spacing unit and declined to join in a one section working interest unit.

On October 24, 2000, EOG sent to Pogo a revised Joint Operating Agreement for a S/2 unit. Pogo responded on November 2, 2000 by proposing a well on an E/2 spacing unit with the well to be drilled on EOG acreage in the SE/4 NE/4 of this section.

Being unable to reach voluntary agreement for the development of the Morrow reserves

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underlying Section 23, on November 7, 2000, EOG filed an application with the Oil Conservation Division seeking an order compulsory pooling the S/2 of Section for a Morrow well to be drilled in the NW/4 SE/4 of Section 23. This case was scheduled for hearing on December 7, 2000.

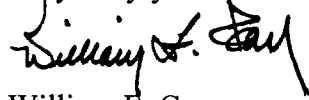
On November 16, 2000, EOG wrote to Pogo and advised Pogo that it had filed with the BLM an Application for Permit to Drill a well on a N/2 spacing unit in Section 23 and advised Pogo that it believed that "lay down" proration units in Section 23 were the optimum method of developing this acreage.

It is my understanding that the hearing on EOG's application was continued to January 11, 2001 at Pogo's request because one of Pogo's witnesses was unavailable on December 7th and because Pogo advised that it was going to file a competing pooling application. A continuance of EOG's application would avoid multiple hearings in this dispute. Pogo filed an application seeking a Division order pooling the E/2 of Section 23 on December 19, 2000. This application is also set for hearing on January 11, 2001.

EOG has proceeded with its plans for the development of its Morrow reserves underlying Section 23 in accordance with its letter to Pogo dated November 16, 2000. EOG's Application for Permit to Drill has been approved by the Bureau of Land Management covering a standard 320-acre N/2 spacing unit which is comprised of 100% federal lands under one federal lease (copy enclosed). EOG will drill this well. Accordingly, the NE/4 of Section 23 may not be dedicated to an E/2 spacing unit in Section 23.

Furthermore, unless a voluntary agreement is reached with Pogo for the development of the S/2 of Section 23, EOG intends to proceed with the hearing set for January 11, 2001 for an order pooling this acreage.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William F. Carr", written over the typed name.

William F. Carr

cc: Mr. David Catanach (By Facsimile)

Larry D. Cunningham w/enc.  
EOG Resources, Inc.