



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 23, 2007

EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702

Re: EOG Resources, Inc.'s requests for allowable and authorization to transport for the following well:

Yangtze C 3 Fee # 1H, 30-015-35667

Dear Regulatory Manager:

Rule 1104.A [19.15.13.1104.A NMAC] allows the Oil Conservation Division (OCD) to assign an allowable to a newly completed or re-completed well or a well completed in an additional pool, or issue an operator authorization to transport oil or natural gas from such a well only if the operator is in compliance with Rule 40.A [19.15.1.40.A NMAC]. An operator who operates from 501 to 1000 wells is out of compliance with Rule 40.A(4) if it has more than 7 wells on the inactive well list kept pursuant to Rule 40.F [19.15.1.40.F NMAC].

EOG Resources, Inc. ("EOG") operates 513 wells; 9 wells appear on the inactive well list kept pursuant to Rule 40.F. XYZ is out of compliance with Rule 40.A(4).

Because EOG is not in compliance with Rule 40.A, the OCD denies EOG's requests for allowable and authorizations to transport identified above.

EOG may re-submit its requests after it returns to compliance with Rule 40.A.

To comply with Rule 40.A (4) it must reduce the number of wells on the Rule 40.F inactive well list to no more than 7. A well will be removed from the inactive well list when the operator completes one of the following actions: 1) plugs the well-bore and files an approved C-103 reporting the plugging; 2) places the well on approved temporary abandonment status; 3) returns the well to production or other beneficial use and files a C-115 reporting that production or use; or 4) enters into an Agreed Compliance Order with the OCD covering the well. An Agreed Compliance Order sets a schedule for returning the operator's inactive wells to compliance and imposes a penalty if the schedule is not met. If you would like to discuss entering into an Agreed Compliance Order for your non-compliant wells, please contact OCD attorney Gail MacQuesten at (505) 476-3451.

Respectfully yours,

Bryan G. Arrant
District II Geologist
OCD

EC: Mark Fesmire, Division Director-Santa Fe
Daniel Sanchez, Enforcement and Compliance Manager-Santa Fe
Gail MacQuesten, Assistant General Counsel-Santa Fe
Dorothy Phillips, Financial Assurance Administrator- Santa Fe

Approved to produce 9/21/07

Arrant, Bryan, EMNRD

From: Macquesten, Gail, EMNRD
Sent: Friday, September 21, 2007 3:15 PM
To: Arrant, Bryan, EMNRD
Subject: EOG

Bryan – EOG signed an agreed compliance order this afternoon, and Mark has signed on behalf of the OCD. All 11 wells currently on the inactive well list for EOG will be covered by the order. We can't code it in this afternoon, because Theresa is out of the office. But I will ask her to code it in first thing on Monday and the wells will fall off the list.

You can go ahead and approve anything that you are holding onto because of EOG's non-compliance with Rule 40 on inactive wells. If you want a copy of the signed ACOI, I can fax it to you.

I tried to call, but your line is out and no one answers the phones in Artesia!

Thanks- Gail

9/24/2007