



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

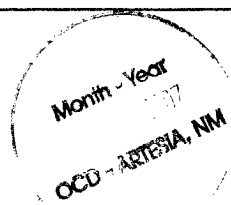
Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division



May 2, 2007

Mack Energy Corporation
c/o Mr. Jerry W. Sherrell
P.O. Box 960
Artesia, NM 88211-0960

Administrative Order NSL-5611

Re: Pecos Federal Well No. 1
API No. 30-015-35232
Unit O, Section 12, Twsp 18S, Range 23E
Eddy County

Dear Mr. Sherrell:

Reference is made to the following:

(a) your application (**administrative application reference No. pCLP-0710237027**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 11, 2007, and

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

Mack Energy Corporation (Mack) has requested to produce its Pecos Federal Well No. 1 (API No. 30-015-35232) at an unorthodox Wolfcamp gas well location in Section 12, Township 18 South, Range 23 East, N.M.P.M., in Eddy County, New Mexico. This well is completed as a horizontal well, commencing at an orthodox surface location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 12, and proceeding northwesterly to an unorthodox terminus 671 feet from the North line and 1994 feet from the East line (Unit B) of the same section. The E/2 of Section 12 will be dedicated to this well to form a standard 320-acre gas spacing unit in the Penasco-Wolfcamp Gas Pool (50290). This location is governed by statewide Rules 104.B(1) and 111, which provide that all portions of the wellbore within the Wolfcamp formation shall be located at least 660 feet from the outer boundary of the spacing unit. The horizontal shaft of this wellbore apparently encroaches toward the western boundary of the proposed unit.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

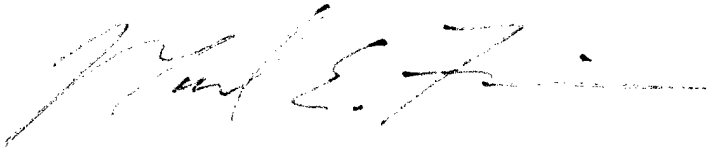
It is our understanding that Mack is seeking this location exception because an error in the directional drilling process resulted in the bottom hole location of this well being unorthodox.

We also understand that all owners of working interests in the Wolfcamp formation in the W/2 of Section 12 have been duly notified of this application.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', with a long horizontal line extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad