



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 21, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

COG Operating, L.L.C.

c/o **Mack Energy Corporation**

P. O. Box 960

Artesia, New Mexico 88211-0960

Attention: Jerry Sherrell

jerrys@mackenergycorp.com

Administrative Order NSL-4058-B (SD)

Dear Mr. Sherrell:

Reference is made to the following: (i) your application filed as contract operator for COG Operating, L.L.C. ("COG"), with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 26, 2006 (*administrative application reference No. pTDS0-614651450*); and (ii) the Division's records in Artesia and Santa Fe, including the files on Division Administrative Orders NSL-4058 and NSL-4058-A (SD): all concerning COG's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 NW/4 (Unit F) of Section 29, Township 17 South, Range 29 East, NMPM, East Empire-Yeso Pool (96610), Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This 40-acre unit is currently simultaneously dedicated to the three following describe wells:

- (1) Schley Federal Well No. 8 (**API No. 30-015-30307**) located at an unorthodox oil well location (approved by Division Administrative Order NSL-4058, dated June 16, 1998) 1580 feet from the North line and 1650 feet from the West line of Section 29;
- (2) Schley Federal Well No. 6 (**API No. 30-015-30459**) located at an unorthodox oil well location (approved by Division Administrative Order NSL-4058-A (SD), dated October 16, 1998) 2035 feet from the North line and 2450 feet from the West line of Section 29; and
- (3) Schley Federal Well No. 11 (**API No. 30-015-32134**) located at a standard oil well location 2185 feet from the North line and 1650 feet from the West line of section 29.

COG Operating, L.L.C. c/o Mack Energy Corporation (Contract Operator)
Division Administrative Order NSL-4058-B (SD)

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By the authority granted me under the provisions of Division Rule 104.F (2), COG's following described well to be drilled as the forth well [see Division Rule 104.B (1)] within the SE/4 NW/4 (Unit F) of Section 29 at an unorthodox "infill" Yeso oil well location is hereby approved:

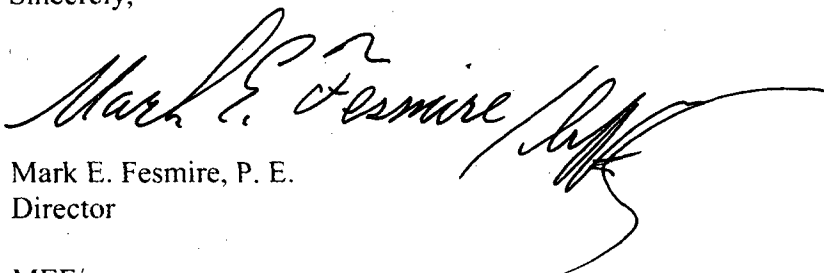
Schley Federal Well No. 16
1600' FNL & 2235' FWL
(API No. 30-015-34888).

Further, the three existing Schley Federal Wells No. 6, 8, and 11 and the proposed Schley Federal Well No. 16 are to be simultaneously dedicated to the subject 40-acre unit.

The provisions of Division Administrative Orders NSL-4058 and NSL-4058-A shall remain in full force and effect.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
File: NSL-4058
NSL-4058-A (SD)