



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop

Cabinet Secretary

Reese Fullerton

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



September 3, 2008.

COG Operating LLC

Attn: Phyllis A. Edwards

Fasken Center, Tower II

550 West Texas Ave., Suite 1300

Midland, TX 79701

Administrative Order NSL-5912

Re: Houma State Well No. 7

API No. 30-015-

F-16-17S-30E

Eddy County

Dear Ms Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-21755395**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 4, 2008,

(b) the additional information submitted with your email of September 3, 2008, and

(c) the Division's records pertinent to this request.

COG Operating, LLC (COG) has requested to drill its proposed Houma State Well No. 7 at an unorthodox oil well location, 1450 feet from the North line and 2310 feet from the West line (Unit F) of Section 16, Township 17 South, Range 30 East, N.M.P.M., in Eddy County, New Mexico. The SE/4 NW/4 of Section 16 will be dedicated to this well in order to form a standard 40-acre oil spacing unit in the Loco Hills-Glorieta/Yeso Pool (96718). This pool is governed by statewide Rule 104.B, which provides for 40-acres units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern unit boundary.

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

Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



It is our understanding that COG is seeking this location to avoid interference with an existing pipeline that crosses this spacing unit.

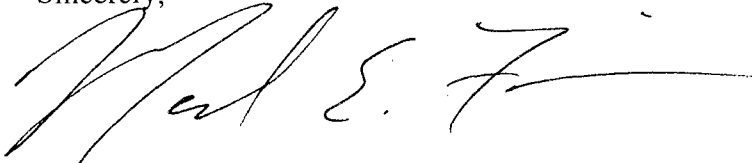
It is also understood that notice of this application to offsetting operators or owners is unnecessary because COG owns 100% of the working interest in the offsetting spacing units to the north and northeast.

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

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

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

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe