

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



February 23, 2009

COG Operating, LLC
Attn: Ms. Karen Carrillo
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, TX 79701

Administrative Order NSL-5994

Re: BC Federal Well No. 21
API No. 30-025-38726
Unit F, Section 19-17S-32E
Lea County, New Mexico

Dear Ms Carrillo:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-02642817**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 26, 2009, and

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

COG Operating, LLC (COG) has requested to complete the above-referenced well as a directional well in the Yeso formation, at a location that is unorthodox under Division Rule 16.14.B. The surface location and terminus of the well are as follows:

Surface Location: 2410 feet from the North line and 2060 feet from the West line
(Unit F) of Section 19, Township 17-S, Range 32-E, NMPM
Lea County, New Mexico

Terminus 2312 feet from the North line and 2291 feet from the West line
(Unit F) of said section.

The SE/4 NW/4 of Section 19 will be dedicated to the proposed well to form a standard 40-acre spacing unit and project area in the West Maljamar-Yeso Pool (44500). This pool is governed by statewide Rule 15.9(A), which provides for 40-acre units, with wells located at least



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330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than 330 feet from the southern unit boundary and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

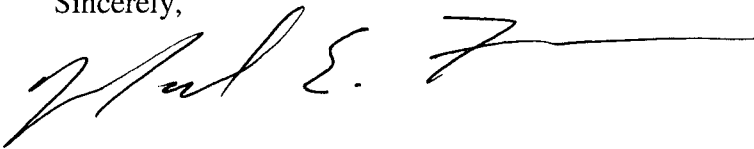
It is our understanding that you are seeking this location because of an inadvertent drilling error, which resulted in an unorthodox bottom-hole location. It is further understood notice of this application to offsetting operators or owners is not required due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, 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 5.9.

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', followed by a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

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