



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Daniel Sanchez
Acting Division Director
Oil Conservation Division

Harrison H. Schmitt
Cabinet Secretary-Designate



January 25, 2011

Mack Energy Corporation
Attn: Deana Weaver
P.O. Box 960
Artesia, NM 88211-0960

Administrative Order NSL-6321

Re: K-2 State Well No. 1
API No. 30-005-64127
180 feet FNL & 330 feet FEL
Unit A, Section 36-9S-29E
Chaves County, New Mexico

Dear Ms Weaver:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-32657630**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 22, 2010, and

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

Mack Energy Corporation (Mack) has requested to drill the above-referenced well as a directional well in the San Andres formation, at a location that will be unorthodox under Division Rule 16.14.B. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 180 feet from the North line and 330 feet from the East line
(Unit A) of Section 36, Township 9 South, Range 29 East, NMPM
Chaves County, New Mexico

Point of Penetration: 168 feet from the North line and 307 feet from the East line
(Unit A) of said section

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Terminus 330 feet from the North line and 330 feet from the East line
 (Unit A) of said section

The NE/4 NE/4 of Section 36 will be dedicated to the proposed well to form a standard 40-acre wildcat oil spacing unit in the San Andres formation. This location is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 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 northern and eastern unit boundaries 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 in order to utilize an existing wellbore.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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 'Dan K', with a long horizontal flourish extending to the right.

Daniel Sanchez
Acting Director

DS/db

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