



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

July 27, 2004

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Mack Energy Corporation
P. O. Box 960
Artesia, New Mexico 88211-0960

Attention: Jerry Sherrell
Production Clerk
jerrys@mackenergycorp.com

Administrative Order NSL-5085

Dear Mr. Sherrell:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on July 2, 2004 (*administrative application reference No. pMES0-418454252*); (ii) my initial response by letter dated July 21, 2004 requesting verification of notice; (iii) my telephone conversation with Mr. Ron Lanning, Land Manager with Mack Energy Corporation's ("Mack") Monday morning, July 26, 2004; (iv) yours and Mr. Lanning's telefax on July 26, 2004 with the necessary information to complete this application; and (iv) the Division's records in Santa Fe: all concerning Mack request for approval of its existing Diamondbacks State Well No. 1 (API No. 30-015-33203), recently drilled (spud date – February 16, 2004) to a total depth of 11,204 feet at an unorthodox gas well location in both the Atoka and Morrow formations 2040 feet from the North line and 2140 feet from the East line (Unit G) of Section 28 Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

The N/2 of Section 28, being a standard lay-down 320-acre deep gas spacing unit for the Atoka formation in either the Undesignated Grayburg-Atoka Gas Pool (77720) or Undesignated North Grayburg-Atoka Gas Pool (77760) and in the Grayburg-Morrow Gas Pool (77840), is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

The Division understands this location was necessary for both geological and topographical reasons.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox deep gas well location for the Diamondbacks State Well No. 1 in both pools within the N/2 of Section 28 is hereby approved.

Please note however that Mack, as a prudent operator, should recognize that a well location is unorthodox prior to its drilling and not wait a period of five (5) months after commencing drilling operations to seek the necessary regulatory exceptions. Similar requests may be set to hearing.

Jurisdiction of this cause 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 "Michael E. Stogner", written over a horizontal dotted line.

Michael E. Stogner
Engineer/Hearing Officer

MS/ms

cc: **New Mexico Oil Conservation Division – Hobbs**
New Mexico State Land Office – Santa Fe
Mr. Ron Lanning, Land Manager - Artesia
William F. Carr, Legal Counsel for Mack Energy Corporation – Santa Fe