



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

April 27, 2005

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

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

Attention: **Jerry Sherrell**
jerrys@mackenergycorp.com

Administrative Order NSL-5200

Dear Mr. Sherrell:

Reference is made to the following: (i) your application dated April 20, 2005 (*administrative application reference No. pMES0-511743653*), which was received by the New Mexico Oil Conservation Division ("Division") in Santa Fe on April 26, 2005; and (ii) the Division's records in Santa Fe: all concerning Mack Energy Corporation's ("Mack Energy") request for an unorthodox oil well location in the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool (**28509**) for the plugged and abandoned Texaco Exploration & Production, Inc. Texmack "24" State Com. Well No. 1 (**API No. 30-015-30852**), to be redesignated by Mack Energy as Marlin State Well No. 1, located 1500 feet from the South line and 1800 feet from the East line (Unit J) of Section 24, Township 16 South, Range 31 East, NMPM, Eddy County, New Mexico. The NW/4 SE/4 of Section 24 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the Grayburg Jackson Pool.

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.

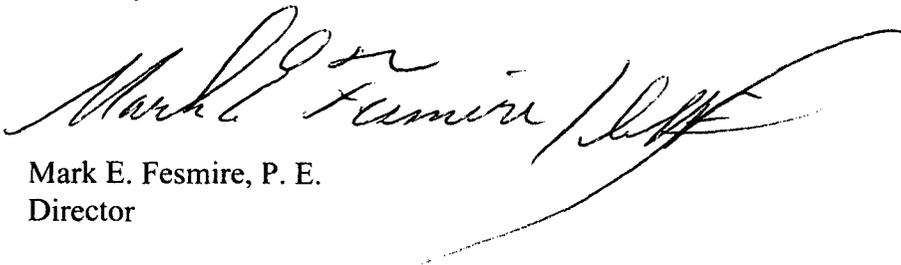
It is the Division's understanding that the NW/4 SW/4 and the SE/4 of Section 24 comprises a single state lease issued by the New Mexico State Land Office (*State Lease No. E-08560-0004*) in which all mineral interest is common.

It is the Division's understanding after reviewing your application and our records that this well was originally drilled by Texaco Exploration & Production, Inc. of Hobbs, New Mexico in March/April, 2000 to a total depth of 12,850 feet in order to test the deeper Atoka and Morrow formation for gas within a standard 320-acre lay-down gas spacing unit also comprising the S/2 of Section 24. Pursuant to Division Rule 104.C (2) (a), this location is considered to be a standard deep gas well location for this lay-down 320-acre unit. According to the Division's records, this well tested dry and was subsequently plugged and abandoned in June, 2000.

It is further understood that Mack Energy now intends to reenter this well and attempt a completion in the shallower Grayburg-Jackson Pool.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox Grayburg Jackson oil well location for the re-entry and recompletion of Mack Energy's Marlin State Well No. 1 within Unit "J" of Section 24 is hereby approved.

Sincerely

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire", with a long, sweeping flourish extending to the right.

Mark E. Fesmire, P. E.
Director

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