



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 9, 2008

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

Administrative Order NSL-5924

**Re: Skelly Unit Well No. 988
API No. 30-015-
Unit H, Section 22-17S-31E
Eddy County**

Dear Ms Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-24952895**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 5, 2008, and.

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

COG Operating, LLC (COG) has requested to drill the above-referenced well as a directional oil well to the Yeso formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 1650 feet from the North line and 1250 feet from the East line (Unit H) of Section 22, Township 17S, Range 31E, NMPM Eddy County, New Mexico

Point of Penetration: 1650 feet from the North line and 1080 feet from the East line (Unit H) of said section.

Terminus 1650 feet from the North line and 990 feet from the East line (Unit H) of said section.

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>



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The SE/4 NE/4 of Section 22 will be dedicated to the proposed well to form a standard 40-acre spacing unit in the Fren-Glorieta/Yeso Pool (26770). This pool is governed by statewide Rule 104.B(1), 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 western unit boundary, and therefore outside the producing area.

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

It is our understanding that you are seeking this location because of pipelines and sand dunes that preclude surface siting at a standard 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 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

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