



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



May 20, 2009

Mack Energy Corporation

Attn: Mr. Jerry W. Sherrell

P.O. Box 960

Artesia, NM 88211-0960

Administrative Order NSL-6035

Re: Santa Claus State Well No. 1

API No. 30-015-36257

Unit E, Section 15-16S-28E

Eddy County, New Mexico

Dear Mr. Sherrell:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-12047940**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 30, 2009, and

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

Mack Energy Corporation [OGRID 013837] (Mack) has requested to drill the above-referenced well as a horizontal well in the Wolfcamp formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 2310 feet from the North line and 330 feet from the West line
(Unit E) of Section 15, Township 16S, Range 28E, NMPM
Eddy County, New Mexico

Point of Penetration: 2275 feet from the North line and 802 feet from the West line
(Unit E) of said section

Terminus: 2150 feet from the North line and 1527 feet from the East line
(Unit G) 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>



May 20, 2009

Page 2

The SW/4 NE/4 and S/2 NW/4 of Section 15 will be dedicated to the proposed well to form a project area comprising three adjacent, standard 40-acre spacing units in the undesignated Crow Flats Wolfcamp Pool (97102). This pool is governed by statewide Rule 15.9.A, 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 eastern boundary of the project area, 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 for engineering reasons. 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,



Mark E. Fesmire, P.E.
Director

MEF/db

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