



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 14, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Mack Energy Corporation
P. O. Box 960
Artesia, New Mexico 88211-0960
Attention: Jerry W. Sherrell

Telefax No. (505) 746-9539

Administrative Order NSL-4631(SD)

Dear Mr. Sherrell:

Reference is made to the following: (i) your application dated August 1, 2001 (*application reference No. pKRV0-121854030*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Mack Energy Corporation's ("Mack Energy") request for an exception to Rule 4 of the "*Special Rules and Regulations for the Scharb-Bone Springs Pool*," as promulgated by Division Order No. R-2589, as amended, for a non-standard infill oil well location within an existing standard 80-acre stand-up oil spacing and proration unit comprising the W/2 NE/4 of Section 7, Township 19 South, Range 35 East, NMPM, Scharb-Bone Springs Pool (**55610**), Lea County, New Mexico. This unit is currently dedicated to Mack Energy's Charles S. Alves Well No. 4 (**API No. 30-025-25840**) located at a standard oil well location 660 feet from the North line and 1800 feet from the East line (Unit B) of Section 7.

The subject 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, and the applicable provisions of the rules governing the Scharb-Bone Springs Pool.

By the authority granted me under the provisions of: (i) Rule 5 of these special pool rules; and (ii) Division Rule 104.F (2), the following described well that Mack Energy commenced drilling in December, 2000, has completed, and is currently producing from the Scharb-Bone Springs Pool, at an unorthodox infill oil well location in Section 7 is hereby approved:

Charles S. Alves Well No. 5
1720' FN & EL (Unit G)
(API No. 30-025-35263).

Further, both the aforementioned Charles S. Alves Wells No. 4 and 5 are to be simultaneously dedicated to the subject 80-acre unit.

IT SHALL BE NOTED HOWEVER THAT Mack Energy, as a prudent operator, must

Administrative Order NSL-4631(SD)
Mack Energy Corporation
August 14, 2001
Page 2

recognize that a well location is unorthodox prior to its drilling and completion and not wait until the well is producing from the affected interval to seek the necessary regulatory exceptions. If, any future application by Mack Energy for an unorthodox location is not filed in a more timely fashion, all such subsequent applications will be subject to the Division's hearing process until further notice.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenberg" followed by a large, stylized flourish or set of initials.

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs