

June 10, 2003

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

Telefax No. (505) 746-2362

Attention: Jerry Sherrell
jerrys@mackenergycorp.com

Administrative Order NSL-4895 (SD)

Dear Mr. Sherrell:

30-015-32828

Reference is made to the following: (i) your application dated May 15, 2003 (*administrative application reference No. pKRV0-314031701*), which was received by the New Mexico Oil Conservation Division ("Division") in Santa Fe on May 19, 2003; (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the Division in Santa Fe, New Mexico on Tuesday afternoon, June 10, 2003; and (iii) the Division's records in Santa Fe: all concerning Mack Energy Corporation's ("Mack Energy") request for an unorthodox infill oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NE/4 NE/4 (Unit A) of Section 36, Township 17 South, Range 31 East, NMPM, Maljamar-Grayburg San Andres Pool (43329), Eddy County, New Mexico.

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.

This 40-acre unit is currently dedicated to Mack Energy's Maljamar "A" State Well No. 2 (API No. 30-015-10474) located at a standard oil well location 330 feet from the North line and 1980 feet from the East line of Section 36.

It is our understanding that the N/2 NE/4 and SW/4 NE/4 of Section 36 is a single state lease issued by the New Mexico State Land Office (State Lease No. B-04109) with common ownership in which Mack Energy is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the NE/4 NE/4 (Unit A) of Section 36 is hereby approved:

Aoudad State Well No. 8
330' FNL & 1040' FEL.

Further, both the existing Maljamar "A" State Well No. 2 and the proposed Aoudad State

Well No. 8 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

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