



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 8, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ConocoPhillips Company
P. O. Box 2197, WL3-6106
Houston, Texas 77252-2197

Attention: Yolanda Perez
Yolanda.Perez@conocophillips.com

Administrative Order NSL-5106

Dear Ms. Perez:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-424632815*) submitted by e-mail to Mr. Michael E. Stogner, Engineer/Hearing Officer with the New Mexico Oil Conservation Division ("Division") in Santa Fe on Tuesday, August 31, 2004; and (ii) the Division's records in Santa Fe and Hobbs: all concerning ConocoPhillips Company's ("COPC") request for an unorthodox Wolfcamp oil well location for the existing KG "35" State Com. Well No. 1 (API No. 30-025-36370), recently drilled (spud date – December 22, 2003) to test the Morrow formation underlying a standard 320-acre stand-up deep gas spacing unit comprising the E/2 of Section 35, Township 17 South, Range 33 East, NMPM, Undesignated Vacuum-Morrow Gas Pool (86840), Lea County, New Mexico. Pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, the well's location, being 1395 feet from the South line and 1255 feet from the East line (Unit I) of Section 35, is considered to be "standard" for a deep Morrow gas spacing unit.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

It is the Division's understanding after reviewing your application and our records that this well was permitted and drilled by Mack Energy Corporation only as a deep gas test within the aforementioned 320-acre Morrow unit (see the "*Application for Permit to Drill*" dated August 14, 2003). On February 27, 2004 a total depth of 13,820 feet was reached. Well tests in March indicated that the Morrow interval was un-economic; however, potential oil pay was found in the Wolfcamp formation. COPC took over as operator of this well effective June 1, 2004.

It is further understood that COPC now intends to complete the well as a wildcat Wolfcamp oil producer; however, pursuant to Division Rule 104.B (1), as revised, this location is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the NE/4 SE/4 (Unit I) of Section 35.

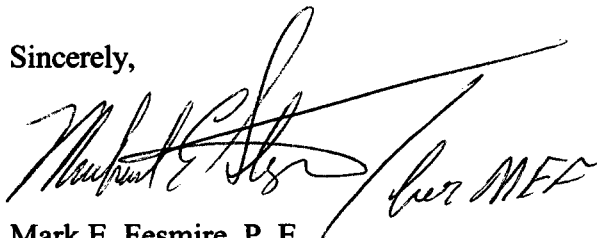
Furthermore, the SE/4 of Section 35 comprises a single State lease issued by the New Mexico State Land Office (State lease No. OG-1999-0002) with common mineral interests throughout; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox Wolfcamp oil well location for COPC's KG "35" State Well No. 1 is hereby approved.

AS AN OBSERVATION, the Division suggests that all operators take additional steps to stake wells at, or avoid moving well locations from, spots considered to be standard for all possible zones to be encountered and should be aware of well location requirements for different producing horizons within their immediate area of operations.

Jurisdiction of this cause 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', with a stylized flourish extending from the end.

Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Mack Energy Corporation, Attn: Mr. Jerry Sherrell - Artesia, NM