

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3624

Mack Energy Corporation
PO Box 960
Artesia, NM 88211-0960

Attention: Jerry Sherrell

*Schley Federal Wells No. 2, 4, 5, 6, 7, 8, 9, 11, 12, 13, 15
Section 29, Township 17 South, Range 29 East, NMPM,
Eddy County, New Mexico
East Empire-Yeso (96610) Pool, and the
Grayburg Jackson-SR Q G SA Oil Pool (28509) Pool*

Dear Mr. Sherrell:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the following-described wells to commingle production from the subject pools in the wellbores.

Schley Federal lease (NM-29281)

Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico

Lease	Well		Spacing		Pool1	Pool2
	Num	API Number	Unit			
Schley Federal	2	30-015-30301	Unit L	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	4	30-015-30451	Unit L	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	5	30-015-30302	Unit E	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	6	30-015-30459	Unit F	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	7	30-015-30303	Unit E	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	8	30-015-30307	Unit F	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	9	30-015-31988	Unit L	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	11	30-015-32134	Unit F	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	12	30-015-32243	Unit L	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	13	30-015-32244	Unit L	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	
Schley Federal	15	30-015-32368	Unit E	Grayburg Jackson-SR Q G SA Oil	East Empire-Yeso	

It appearing that the subject wells qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such

downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Orders which authorized the dual completions or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division 303C.(1)(f), the production attributed to any commingled pool within these wells shall not exceed the allowable applicable to that pool.

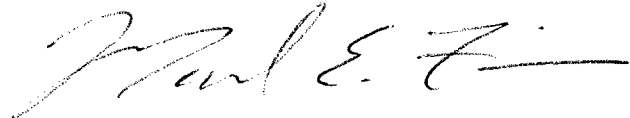
It is our understanding that interests are identical within each of these two pools and identical between pools. Assignment of allowable and production to the wells and to the lease shall be done after testing of all intervals to be commingled. The Division in Santa Fe shall be notified in writing of allocation percentages or the method of allocation. Thereafter, additional changes to the allocation shall be done only with permission of the Division.

REMARKS: The operator shall notify the Artesia District Office of the Division upon implementation of commingling operations.

Pursuant to Rule 303C(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on January 20, 2006.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
Director

cc: Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad