



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 9, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

COG Operating, LLC
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5376

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-610054174*) filed on behalf of the applicant COG Operating, LLC ("COG") with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 10, 2006; (ii) the Division's initial response by e-mail from Mr. Michael E. Stogner, Staff Engineer in Santa Fe, on Tuesday afternoon, May 2, 2006; (iii) your e-mail reply of May 3, 2006 with the necessary information to complete this application; and (iv) the Division's records in Hobbs and Santa Fe, including the file on Division Administrative Order NSP-1744 (L): all concerning COG's request for an exception to Rule 4 of the "*Special Rules and Regulations for the North Osudo-Morrow Gas Pool*," as promulgated by Division Order No. R-3305, as amended, in order for COG to drill its proposed Osudo "7" State Well No. 1 (*API No. 30-02537557*) at an unorthodox gas well location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 7, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

All of Section 7, being a standard 637.54-acre gas spacing unit for the North Osudo-Morrow Gas Pool (**82160**), is to be dedicated to this well.

Your application for COG has been duly filed under the provisions of: (i) the special rules governing this pool; (ii) Division Rule 104.F; and (iii) Division Rule 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the potentially productive interval of the lower Morrow formation than a well drilled at a location considered to be standard within the subject 637.54-acre unit.

By the authority granted me under the provisions of: (i) Rule 5 of the special rules governing the Rock Tank-Lower Morrow Gas pool; and (ii) Division Rule 104.F (2), the unorthodox gas well location of the proposed Rock Tank Federal Well No. 5 is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
File: NSP-1744 (L)