



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 23, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Jerry Sherrell

RECEIVED

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OCU-ARTESIA

Re: *Administrative application (reference No. pSEM0-515745027) for an exception to Division Rule 104.C (3) for Mack Energy Corporation's existing Bulls State Com. Well No. 1 (API No. 30-015-33110), formerly the Red Lake Sand Unit Well No. 37, located at an unorthodox Queen gas well location 2310 feet from the South line and 990 feet from the East line (Unit I) of Section 20, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico, within a proposed 160-acre shallow gas spacing unit comprising the SE/4 of Section 20.*

Dear Mr. Sherrell:

The New Mexico Oil Conservation Division's ("Division") Santa Fe office received your application on June 3, 2005. I have reviewed it and determined it to be unnecessary. The vertical limits of the Red Lake-Queen-Grayburg-San Andres Pool (51300) underlying all of Section 20 includes the Queen, Grayburg, and San Andres formations in their entirety (see copies of Division Order No. R-3280 and a page from the Division's nomenclature book attached for reference). This pool is an oil pool and is subject to Division Rule 104.B (1), which require 40-acre oil spacing and proration units and for wells to be located no closer than 330 feet to any boundary of such unit. The location of this well is "standard" for a 40-acre oil spacing and proration unit comprising the NE/4 SE/4 (Unit I) of Section 20.

Furthermore, Division Rules 506.A and 506.B (2) apply in this instance (see attached). The gas production from this well and resulting 40-acre oil spacing and proration unit is subject to the Red Lake-Queen-Grayburg-San Andres Pool's casinghead gas allowable. I am therefore **dismissing** your application and returning it to you at this time.

Sincerely,

Michael E. Stogner
Engineer

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