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OCD-ARTESIA

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 15, 2008

COG Operating, LLC
Attn: Ms. Phyllis A. Edwards
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, TX 79701

Administrative Order NSL-5928

Re: Skelly Unit Well No. 601
API No. 30-015-36447
2310 feet FSL and 310 feet FWL
Unit L, Section 21-17S-31E
Eddy County, New Mexico

Dear Ms. Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-23255775**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 19, 2008, and

(b) the Division's records pertinent to this request.

COG Operating, LLC (COG) has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The NW/4 SW/4 of Section 31 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Fren-Glorieta/Yeso Pool (26770). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the western unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because of sand dunes which preclude surface siting of this well at a standard location in this unit.



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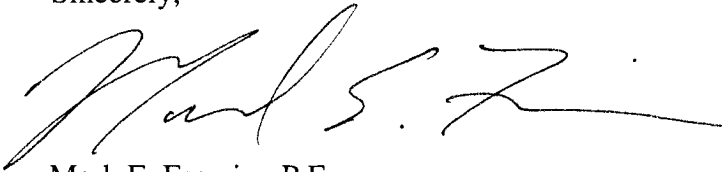
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case 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 at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad