



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

December 3, 2001

Lori Wrotenbery

Director

Oil Conservation Division

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

Attention: Jerry W. Sherrell

Re: *Administrative application for an exception to Division Rule 104.B (1).*

Dear Mr. Sherrell:

This letter acknowledges the receipt of your administrative application dated October 29, 2001 for Mack Energy Corporation's proposed Wooley Federal Well No. 8, to be drilled at an unorthodox infill oil well location 1550 feet from the South line and 1650 feet from the West line of Section 21, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, within an existing standard 40-acre oil spacing and proration unit for the Undesignated Loco Hills-Paddock Pool (96718) comprising the NE/4 SW/4 (Unit K) of Section 21. The Division received your application on November 1, 2001, and assigned it NMOCD reference No. *pKRV0-130946637*. Please refer to this number in future correspondence with the Division.

The reason stated in your application for this unorthodox oil well location, "*to stay off private property*," in itself is an invalid cause to authorize an exception to Division Rule 104.B (1). New Mexico like most states places precedents on mineral development over surface. Otherwise mineral extraction would never occur. Furthermore, the precedents alone this application would set could result in the curtailment of this State's oil and gas industry as it currently stands.

This application, as filed therefore cannot be approved; however, should Mack Energy wish to justify a need to move this well to an unorthodox oil well location in order to avoid existing surface features or obstructions would be considered. Such request would require explanation and support data that contain details. Also, as we have discussed on previous occasions, it is necessary to show that the entire standard drilling window is inaccessible for the well. Also, please explain why directional drill is not an option in this case. If other factors other than topography factor into this location please provide technical support data, i.e. does this well serve to complete some kind of a development pattern within this 40-acre tract.

Since the submitted information is insufficient to review at this time, the application was ruled as incomplete on December 3, 2001. Please submit the above stated information by Tuesday, December 18, 2001.

The Division cannot proceed with your application until such amendment is filed. Upon receipt, the Division will continue to process your application. The additional information can be

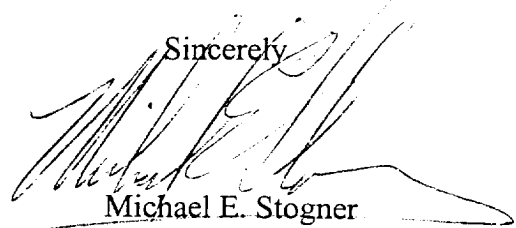


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faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", is written over a horizontal line.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad