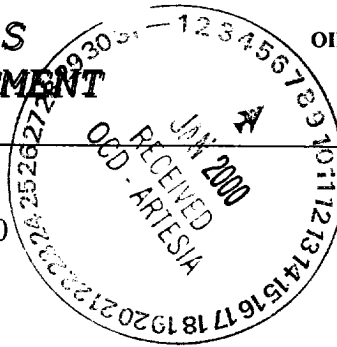




**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 4, 2000



**Mack Energy Corporation
P. O. Box 960
Artesia, New Mexico 88211-0960
Attention: Matt Brewer**

Telefax No. (505) 746-2362

Administrative Order NSL-4020-B

Dear Mr. Brewer:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on November 18, 1999; (ii) the Division's response by letter from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe, dated November 30, 1999; (iii) your reply by letter dated December 7, 1999 with the supplemental data attached; and (iv) the Division's records in Santa Fe: all concerning Mack Energy Corporation's ("Mack") request to include both the Red Lake-Queen-Grayburg-San Andres Pool and the Undesignated Red Lake-Glorieta-Yeso Pool to the provisions of Division Administrative Order NSL-4020-A, dated August 3, 1999.

By Division Administrative Order NSL-4020, dated April 28, 1998, Marbob Energy Corporation received authorization to drill to and complete its Chalk Bluff Federal Com. Well No. 1 (API No. 30-015-30265) in the Red Lake-Pennsylvanian Gas Pool within a standard 321.65-acre gas spacing and proration unit comprising Lots 1 and 2, The S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 6, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico at an unorthodox gas well location 1650 feet from the South line and 1450 feet from the East line (Unit J) of Section 6.

By Division Administrative Order NSL-4020-A, Mack received authorization to recomplete this well, renamed the Lucky Mack Federal Well No. 1, up hole into the Wolfcamp formation to test for oil production within a standard 40-acre oil spacing and proration unit comprising the NW/4 SE/4 of Section 6.

It is our understanding that at this time Mack intends to abandon the deeper Wolfcamp interval and recomplete up-hole into both the Undesignated Red Lake-Glorieta-Yeso Pool and the Red Lake-Queen-Grayburg-San Andres Pool. Pursuant to Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, this location is also considered to be unorthodox.

The existing standard 40-acre oil spacing and proration unit in the Red Lake-Queen-Grayburg-San Andres Pool comprising the NW/4 SE/4 of Section 6, which is presently dedicated