



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 3, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

COG Operating LLC
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, Texas 79701

Attention: Michael M. Gray
mgray@conchoresources.com

Administrative Order NSL-5104

Dear Mr. Gray:

Reference is made to the following: (i) your application dated August 26, 2004 (*administrative application reference No. pSEM0-424726939*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all considering COG Operating LLC's ("COG") request for an unorthodox Morrow gas well location for its proposed Hopi "35" State Com. Well No. 1 to be drilled 2154 feet from the South line and 1392 feet from the West line (Unit K) of Section 35, Township 11 South, Range 32 East, NMPM, Lea County, New Mexico.

The S/2 of Section 11, being a standard 320-acre lay-down deep gas spacing unit pursuant to Division Rule 104.C (2) for a wildcat Morrow gas test, is to be dedicated to this well.

Your application has been duly filed under the provisions of Division Rule 104.F.

The geologic interpretation submitted with this application, based on 3-D seismic, indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard within the western portion of the subject 320-acre unit.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Morrow gas well location for COG's proposed Hopi "35" State Com. Well No. 1 within the S/2 of Section 11 is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.
Director

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cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe