



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 21, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

COG Operating, L.L.C.

c/o Mack Energy Corporation (Contract Operator)

P. O. Box 960

Artesia, New Mexico 88211-0960

Attention: Jerry Sherrell

jerrys@mackenergycorp.com

RE: NMOCD Correspondence Reference No. SD-06-18: Baish-Wolfcamp Pool (4480) development within COG Operating, L.L.C.'s ("COG") existing standard 80-acre stand-up oil spacing and proration unit comprising the E/2 NW/4 (Units C and F) of Section 22, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico.

Dear Mr. Sherrell:

Reference is made to the following: (i) your correspondence in the form of an administrative application dated June 15, 2006 and received by the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 19, 2006 (*administrative application reference No. pTDS0-617134205*); and (ii) the Division's records in Hobbs and Santa Fe, including the file on Division Administrative Order NSL-5317: all concerning COG's plans for additional development within the Baish-Wolfcamp Pool underlying the above-described standard 80-acre unit.

The rules currently governing spacing, well locations, gas/oil ratio limitation, and allowables for the Baish-Wolfcamp Pool include, but not necessarily limited to:

- (a) Division Order No. R-2765, issued in Case No. 3097 on September 8, 1964;
- (b) Division Rule 505.A; and
- (c) Division Rule 506.

It is the Division's understanding that oil and casinghead gas production attributed to the Baish-Wolfcamp Pool within this 80-acre unit is to be simultaneously dedicated to the following two COG wells:

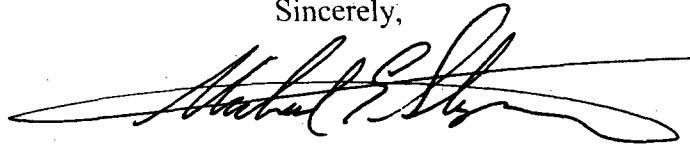
COG Operating, L.L.C. c/o Mack Energy Corporation (Contract Operator)
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- (1) The existing J. C. Federal Well No. 4 (*API No. 30-025-37656*), located at an off-pattern non-standard oil well location (*approved by Division Administrative Order NSL-5317, dated December 21, 2005*) 1650 feet from the North line and 2310 feet from the West line (Unit F) of Section 22; and
- (2) The proposed J. C. Federal Well No. 5 to be drilled and completed at a standard Baish-Wolfcamp oil well location 555 feet from the North line and 2085 feet from the West line (Unit C) of Section 22.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Staff Engineer

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Carlsbad
File: NSL-5317