



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

December 5, 2006

Mack Energy Corporation
c/o Mr. Jerry W. Sherrell
P.O. Box 960
Artesia, NM 88211-0960

Administrative Order SD-200629

Re: Nino State Well No. 1
API No. 30-015-35128
Unit H, Section 29, Twsp 18S, Range 23E
Eddy County

Dear Mr. Sherrell:

Reference is made to the following:

- (a) your application (**administrative application reference No. pTDS06-26535043**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 20, 2006,
- (b) supplemental proof of notice, dated October 23, 2006, and
- (c) the Division's records pertinent to your request.

Mack has requested to drill its proposed Nino State Well No. 1 as a horizontal gas well to be completed in Wolfcamp formation, from an orthodox surface location 1780 feet from the North line and 660 feet from the East line (Unit H) of Section 29, Township 18 South, Range 23 East, N.M.P.M., in Eddy County, New Mexico. The proposed penetration point will be at the same location as the surface location, and horizontal drilling will proceed westward from that point to a terminus 1780 feet from the North line and 660 feet from the West line (Unit E) of the same Section. The N/2 of Section 29 will be dedicated to this well to form a standard 320-acre gas spacing unit in the undesignated Four Mile Draw-Wolfcamp Gas Pool (97415). This unit will also constitute the project area for this well, as provided in Division Rule 111.

You have requested that the proposed well and Mack's existing Walrus State Well No. 1 (API No. 30-015-33508) be simultaneously dedicated to the proposed unit. Rule 104.C(2), as applied to this unit allows two wells to be completed in the unit, but requires that the wells be in different quarter sections. Because the proposed well will be completed within both quarter sections of this 320-acre unit, division approval for simultaneous dedication is required.

Your application has been duly filed under the provisions of Division Rules 104.D(3) and 1210.A(2).

It is our understanding that Mack is seeking simultaneous dedication of this unit to the two wells described for geological reasons, in order to prevent waste and maximize production from this unit.

We also understand that Mack has given due notice of this application to all "affected persons," as defined in Rule 1210.A(2)(a), in all spacing units in the Wolfcamp adjacent to the proposed unit.

Pursuant to the authority granted me under the provisions of Division Rule 104.D(3), the above-described simultaneous dedication is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



for Mark E. Fesmire, P.E.
Director

MEF/db

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