

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 19, 2008

COG Operating LLC
Attn: Ms. Phyllis A. Edwards
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, TX 79701

Administrative Order NSL-5788

**Re: BC Federal Well No. 32
Unit G, Section 20-17S-32E
Lea County**

Dear Ms Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-00856156**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 8, 2008, and

(b) the Division's records pertinent to this request.

COG Operating LLC (COG) has requested to drill the above-referenced well at an unorthodox Yeso oil well location, 2360 feet from the North line and 1650 feet from the East line (Unit G) of Section 20, Township 17 South, Range 32 East, N.M.P.M., in Lea County, New Mexico. The SW/4 NE/4 of Section 20 will be dedicated to this well in order to form a standard 40-acre spacing unit in the West Maljamar Yeso Pool (44500). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the southern unit boundary.

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

It is our understanding that you are seeking this location to avoid interference with an existing pipeline that crosses this unit.

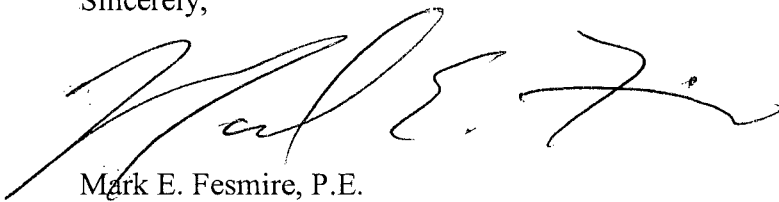
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
United States Bureau of Land Management - Carlsbad