

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop

Cabinet Secretary

Reese Fullerton

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



September 2, 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-5909

Re: Skelly Unit Well No. 974
API No. 30-015-
Unit O, Section 14-17S-31E
Eddy County

Dear Ms. Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-21847190**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 5, 2008, and

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

COG Operating, LLC (COG) has requested to drill the above-referenced well as a directional oil well to the Yeso formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 1245 feet from the South line and 2505 feet from the East line
(Unit O) of Section 14, Township 17S, Range 31E, NMPM
Eddy County, New Mexico

Point of Penetration: 1076 feet from the South line and 2374 feet from the East line
(Unit O) of said section.

Terminus 990 feet from the South line and 2310 feet from the East line
(Unit O) of said section.

Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



The SW/4 SE/4 of Section 14 will be dedicated to the proposed well to form a standard 40-acre spacing unit in the undesignated Fren-Glorieta/Yeso Pool (26770). 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 unorthodox because the point of penetration of the Yeso formation will be less than 330 feet from the northern and western boundaries of the unit.

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

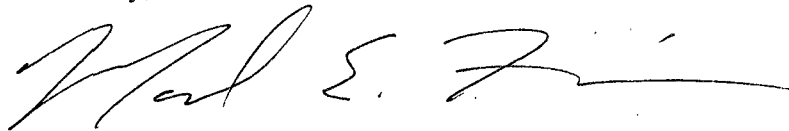
It is our understanding that you are seeking this location for topographic reasons, because of sand dunes. It is further understood that notice of this application to offsetting operators or owners is not required because of common ownership.

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 long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

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