

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 18, 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

Case 13799

Attention: Jerry Sherrell

RE: Administrative application filed with the New Mexico Oil Conservation Division ("Division") on behalf of the operator, COG Operating, L.L.C., on August 7, 2006 (**administrative application reference No. pMES0-626132591**) for its proposed Harvard Federal Well No. 7 (**API No. 30-015-35055**) to be drilled within a standard 40-acre oil spacing and proration unit comprising the NW/4 NW/4 (Unit D) of Section 12, Township 17 South, Range 30 East, NMPM, Undesignated Loco Hills-Paddock Pool (**96718**), Eddy County, New Mexico, at an unorthodox location 1090 feet from the North line and 330 feet from the West line of Section 12.

Dear Mr. Sherrell:

Reference is made to my e-mail correspondence on Wednesday, August 30, 2006; without any further explanation or support data to supplement your administrative application, this matter will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for October 26, 2006. In order to expatiate this matter, I have taken the liberty and prepared the following advertisement:

"Application of COG Operating, L.L.C. for an unorthodox oil well location, Eddy County, New Mexico. Applicant seeks to drill its proposed Harvard Federal Well No. 7 (**API No. 30-015-35055**) at an unorthodox Paddock oil well location 1090 feet from the North line and 330 feet from the West line (Unit D) of Section 12, Township 17 South, Range 30 East, which is located approximately four (4) miles northeast of Loco Hills, New Mexico. The NW/4 NW/4 of Section 12 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the Undesignated Loco Hills-Paddock Pool (**96718**)."

Should you have any questions, please contact your legal counsel, whoever that maybe in this particular case.
Thank you.

Sincerely,

Michael E. Stogner
Engineering Assistant to the Division Director

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
Mr. James Bruce, Legal Counsel of record for COG Operating, L.L.C. in Division Case No. 13376 – Santa Fe
Mr. Michael. H. Feldewert, Legal Counsel of record for COG Operating, L.L.C. in Division Case No. 13407 – Holland & Hart LLP, Santa Fe

DATE IN 8-7-06	SUSPENSE 8-28-06	ENGINEER M.S.	LOGGED IN M.S.	TYPE NSL	P.M.E.S.O. APP NO. 626132591
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



AUG 07 2006

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

- [21] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply
[A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☐ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

- [31] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[41] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Jerry W. Sherrell
Print or Type Name

Jerry W. Sherrell
Signature

Production Clerk
Title

8/4/2006
Date

jerrys@mackenergycorp.com
e-mail Address



Post Office Box 960
Artesia, NM 88211-0960
Office (505) 748-1288
Fax (505) 746-9539

August 4, 2006

Oil Conservation Division
Attn: Mike Stogner
1220 South St. Francis Dr.
Santa Fe, NM 87505

Case 13799

Dear Mr. Stogner:

Mack Energy contract operator for COG Operating LLC respectfully requests an administrative approval without notice and hearing of the following unorthodox well location.

Because of our desire to drill this well in a timely manner, we also request your approval be expedited. The well location and legal description is as follows:

Harvard Federal #7
1090 FNL & 330 FWL
Sec. 12, T17S, R30E
Eddy County, New Mexico

30-015-35055

The well will be completed in the Paddock formation in the Loco Hills Paddock Pool.

Attached to this application are the following exhibits.

- A.) Well location and acreage dedication plat (form C-102) filed with the Artesia office of the Oil Conservation Division (Exhibit A).
- B.) A plat showing the proposed unorthodox locations, the respective proration units, and the offsetting proration units (Exhibit B).
- C.) A map showing the reason for the unorthodox location, the original location would have fallen on top of an existing pipeline (Exhibit C).

Moving the location 100' to the south will give the distance needed to build a location away from the buried gas pipeline. Due to sand dune features in the area, this is the only possible location for this well. This lease is operated and owned 100% by COG. The acreage that we are encroaching upon is also part of this lease therefore no offset operators need to be notified.

Oil Conservation Division

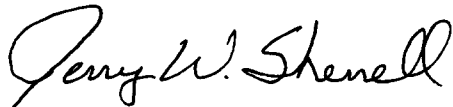
August 4, 2006

Page 2

Thank you for your assistance in this matter. If you have any questions, please feel free to call.

Sincerely,

MACK ENERGY CORPORATION

A handwritten signature in black ink, reading "Jerry W. Sherrell". The signature is written in a cursive, flowing style with a large initial "J".

Jerry W. Sherrell

Production Clerk

JWS/

Enclosures

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OCD-ARTESIA
I-06-47

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☒

Gas Well ☐

OTHER

SINGLE ZONE ☐

MULTIPLE ZONE ☐

2. NAME OF OPERATOR

COG Operating LLC

229137

3. ADDRESS AND TELEPHONE NO.

550 W. Texas Suite 1300 Midland, TX 79701

(432) 685-4372

4. LOCATION OF WELL (Report location clearly and in accordance with any state requirement.)*

At surface

1090 FNL & 330 FWL

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

3 miles northeast of Loco Hills

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drg. unit line, if any)

230

16. NO. OF ACRES IN LEASE

160

17. NO OF ACRES IN LEASE TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.

660

19. PROPOSED DEPTH

6000

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3756' GR

22. APPROX. DATE WORK WILL START*

7/16/2006

23.

PROPOSED CASING AND CEMENTING PROGRAM

Roswell Controlled Water Basin

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2	H-40, 13 3/8	48	425	WITNESS Circ
12 1/4	J-55, 8 5/8	24	1300	Suff to Circ
7 7/8	J-55, 5 1/2	17	6000	Suff to Circ

COG proposes to drill to a depth sufficient to test the Paddock formation for oil. If productive, 5 1/2" casing will be cemented. If non-productive, the well will be plugged and abandoned in a manner consistent with federal regulation. Specific programs as per Onshore Oil and Gas Order #1 are outlined in the following attachments:

1. Surveys

Exhibit #1- Well Location Plat

Exhibit #2- Vicinity Map

Exhibit #3- Location Verification Map

4. Certification

5. Hydrogen Sulfide Drilling Operation Plan

Exhibit #7- H2S Warning Sign

Exhibit #8- H2S Safety Equipment

7. Responsibility Statement

NSL-

2. Drilling Program

3. Surface Use & Operating Plan

Exhibit #4- One Mile Radius Map

Exhibit #5- Production Facilities Layout

Exhibit #6- Location Layout

6. Blowout Preventers

Exhibit #9- BOPE Schematic

Exhibit #10- Blowout Preventer Re

Exhibit #11- Choke Manifold

Drill on L

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer

24.

SIGNED

Jerry W. Shenell

TITLE

Production Clerk

DATE

6/19/2006

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

See 17 & 9.5

APPROVED BY

/s/ Tony J. Herrell

TITLE

FIELD MANAGER

DATE

JUL 26 2006

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I
1625 N. FREMONT DR., BOBBS, NM 86240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 86210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCES DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 96718	Pool Name Loco Hills Paddock
Property Code 302440	Property Name HARVARD FEDERAL	Well Number 7
OGRID No. 229137	Operator Name COG OPERATING LLC	Elevation 3756'

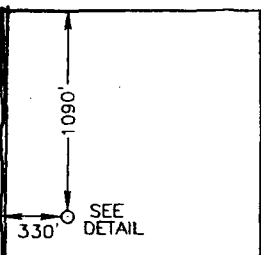
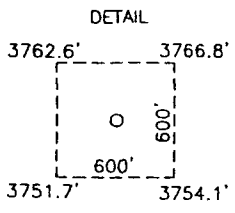
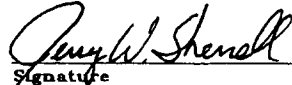

Surface Location

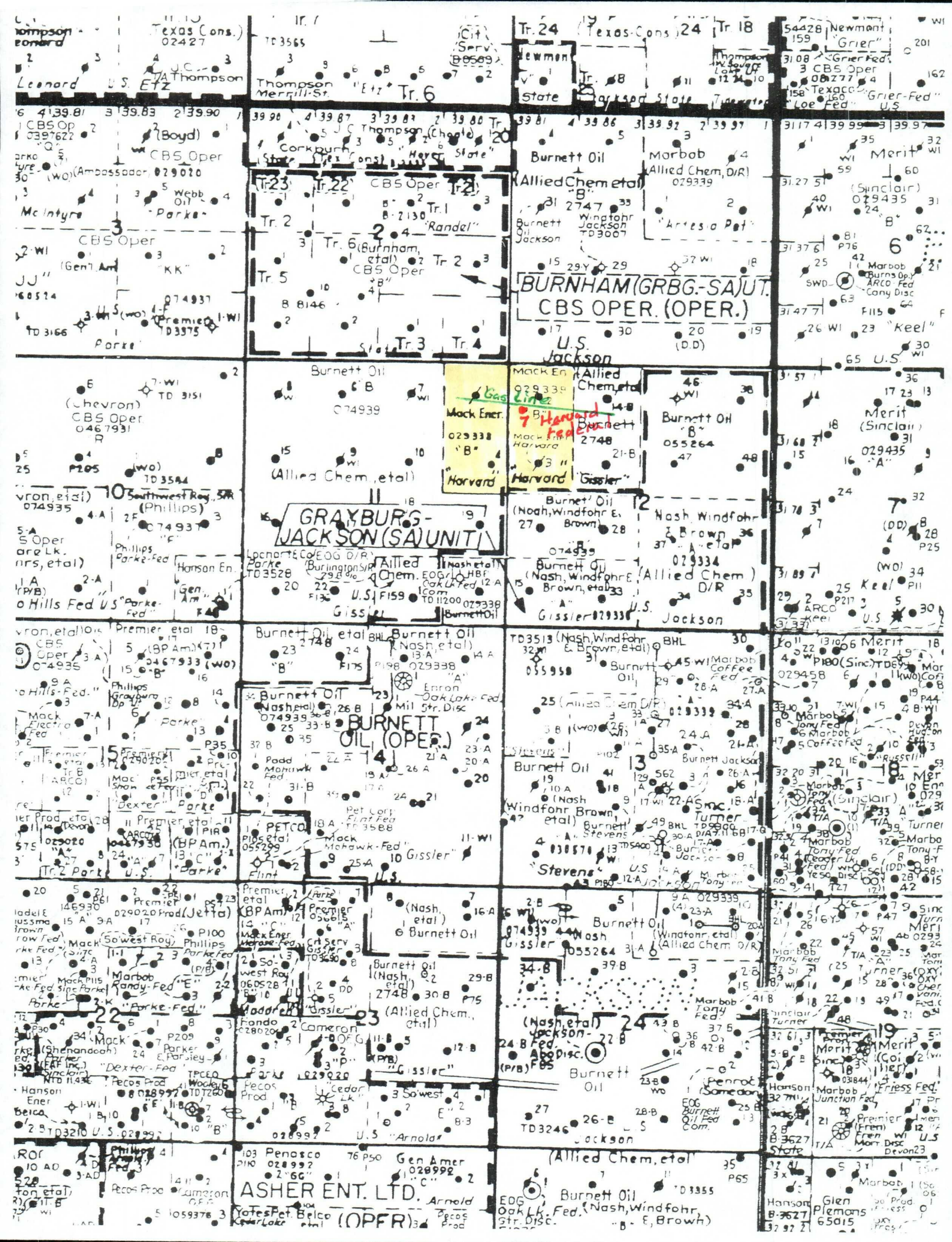
UL or lot No. D	Section 12	Township 17-S	Range 30-E	Lot Idn	Feet from the 1090	North/South line NORTH	Feet from the 330	East/West line WEST	County EDDY
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Bottom Hole Location If Different From Surface

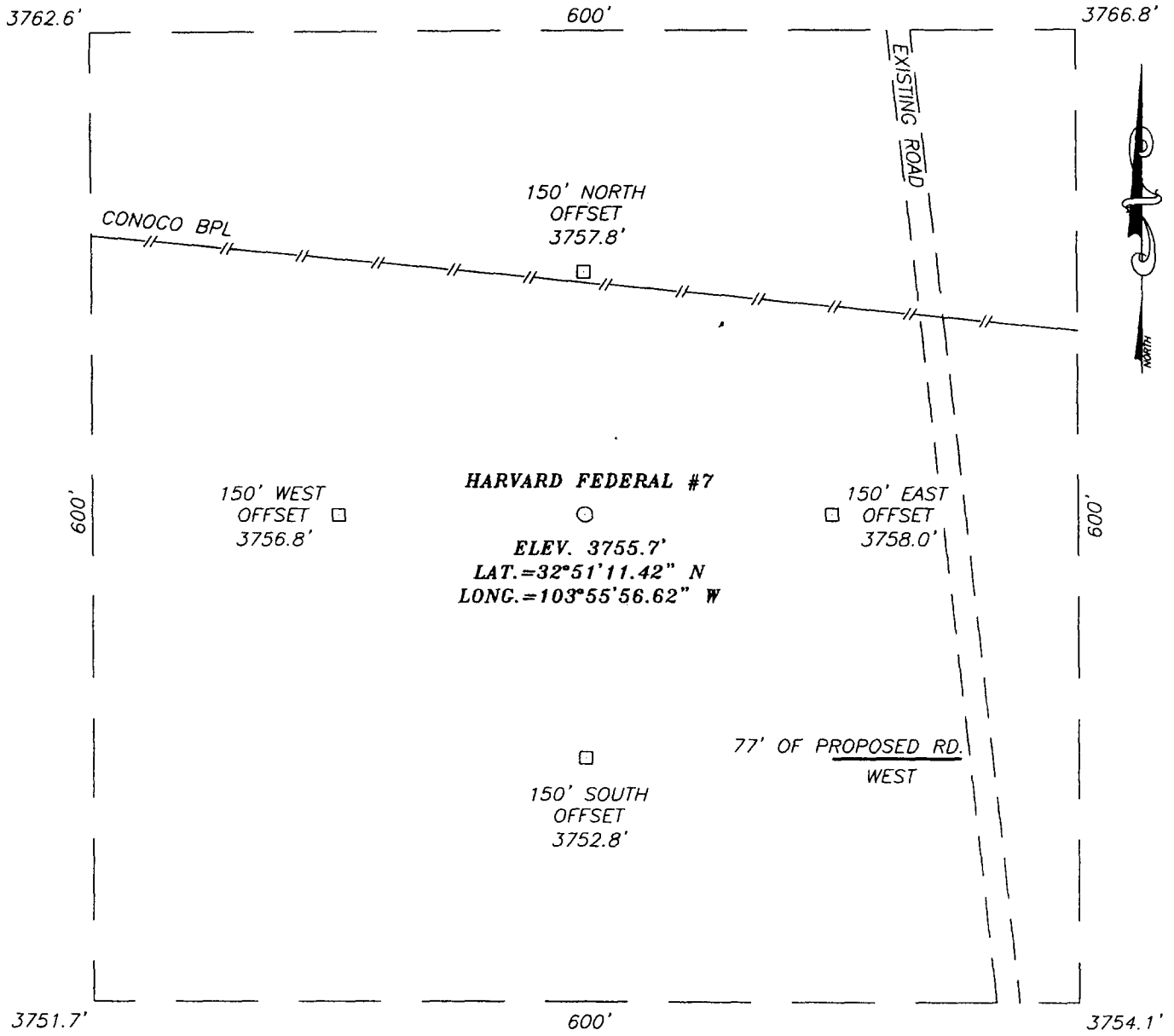
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>DETAIL</p> 	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p> 6/19/06 Signature Date Jerry W. Sherrell Printed Name</p>
<p>GEODETTIC COORDINATES NAD 27 NME</p> <p>Y=674328.6 N X=623125.0 E</p> <p>LAT.=32°51'11.42" N LONG.=103°55'56.62" W</p>		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JUNE 05, 2006</p> <p>Date Surveyed MR</p> <p>Signature & Seal of Professional Surveyor</p> <p></p> <p>Certificate No. GARY EDSON 12641</p>

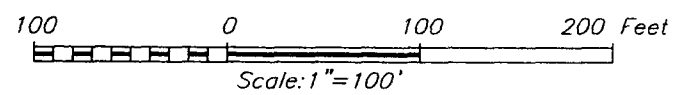


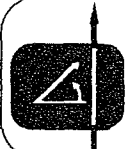
SECTION 12, TOWNSHIP 17 SOUTH, RANGE 30 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 AND CO. RD. #220 (SQUARE LAKE RD.), GO NORTH ON SQUARE LAKE RD. APPROX. 2.4 MILES. TURN LEFT AND GO WEST APPROX. 0.3 MILES. TURN RIGHT (ON RECLAIMED RD.) AND GO NORTH APPROX. 700 FEET. THIS LOCATION IS APPROX. 225 FEET WEST.





PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

MACK ENERGY CORPORATION

HARVARD FEDERAL #7
 LOCATED 1090 FEET FROM THE NORTH LINE
 AND 330 FEET FROM THE WEST LINE OF SECTION 12,
 TOWNSHIP 17 SOUTH, RANGE 30 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 06/05/06	Sheet 1 of 1 Sheets	
W.O. Number: 06.11.0910	Dr By: M.R.	Rev 1: N/A
Date: 06/13/06	Disk: CD#6	06110910 Scale: 1"=100'