



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 21, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Mack Energy Corporation
P. O. Box 960
Artesia, New Mexico 88211-0960

Attention: Jerry W. Sherrell
Production Clerk

RECEIVED

JUL 28 2004

OOD-ARTESIA

Re: *Administrative application for an exception to Division Rule 104.C (2) (a) [unorthodox initial deep gas well location] for Mack Energy Corporation's existing Diamondback State Well No. 1 (API No. 30-015-33203) recently drilled (spud date - February 16, 2004) at an unorthodox gas well location within the N/2 of Section 28, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, being a standard lay-down 320-acre deep gas spacing unit for the Atoka formation in either the Undesignated Grayburg-Atoka Gas Pool (77720) or Undesignated North Grayburg-Atoka Gas Pool (77760) and in the Grayburg-Morrow Gas Pool (77840).*

Dear Mr. Sherrell:

This letter acknowledges the above-described administrative application received by the Division on July 2, 2004 and assigned **administrative application reference No. pSEM0-418454252**. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in your application is not sufficient to process an administrative order at this time. It appears that portion of your application for an unorthodox deep gas well location spaced on 320 acres is incomplete with respect to notice. Please refer to Division Rule 1207.A (2) (a) which reads:

“(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A. (5), 7-15-99; A, 7-15-99]

(a) Definition: “Affected persons” are the following persons owning interests in the adjoining spacing units:

- (i) the Division-designated operator;
- (ii) in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; **and**
- (iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]"

You state in the application, "Mack Energy Corp. also operates the acreage that we are encroaching upon in the south and therefore no offset operators need notified." Your application and the Division's records show no offsetting deep Atoka and/or Morrow gas production in the S/2 of Section 28; therefore, there is no "operator" to notify. The Division's records indicate that the N/2 and SW/4 of Section 28 comprise a single state lease issued by the New Mexico State Land Office (State Lease No. B-00514-0010), which I am assuming has common mineral interest throughout. However, I show that the SE/4 as another state lease (State Lease No. B-00255-0011); please identify and show the percentages owned as to the working interest and any overriding royalty interest owners in the state lease within the SE/4 of Section 28. If required please provide me with proof of notice.

Since the submitted information is insufficient to review, the application was ruled as incomplete on July 21, 2004. Please submit the above stated information by Thursday, July 29, 2004.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be: (i) faxed to (505) 476-3462; (ii) e-mailed to "mstogner@state.nm.us"; or (iii) mailed to the address shown above.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,

sf

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
William F. Carr, Legal Counsel for Mack Energy Corporation – Santa Fe
New Mexico State Land Office – Santa Fe