

August 28, 2006

COG Operating, L.L.C.
c/o Mack Energy Corporation (Contract Operator)
P. O. Box 960
Artesia, New Mexico 88211-0960

Attention: Jerry Sherrell
jerrys@mackenergycorp.com

RE: NMOCD Correspondence Reference No. SD-06-20: Empire-Yeso Pool (96210) development within COG Operating, L.L.C.'s ("COG") existing non-standard 27.71-acre oil spacing and proration unit comprising Lot 1 (NW/4 NW/4 equivalent: Unit D) of Irregular Section 30, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Sherrell:

Reference is made to the following: (i) your correspondence in the form of an administrative application dated August 2, 2006 and received by the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 4, 2006 (*administrative application reference No. pMES0-624036955*); and (ii) the Division's records in Artesia and Santa Fe, including the file on Division Administrative Order NSP-1860 (*administrative application reference No. pKRV0-223248749*): all concerning COG's plans for additional development within the Empire-Yeso Pool underlying the above-described non-standard 27.71-acre unit.

The rules currently governing spacing, well locations, gas/oil ratio limitation, and allowables for the Penrose Skelly (Grayburg) Pool include, but not necessarily limited to:

- (a) Division Rule 104.B;
- (b) Division Rule 505.A; and
- (c) Division Rule 506.

It is the Division's understanding that oil and casinghead gas production attributed to the Empire-Yeso Pool within this non-standard 27.71-acre unit is to be simultaneously dedicated to the following two COG wells:

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- (1) The existing Continental "A" State Well No. 10 (*API No. 30-015-32412*), located at a standard oil well location 990 feet from the North line and 330 feet from the West line (Lot 1/Unit D) of Irregular Section 30; and
- (2) The proposed Continental "A" State Well No. 12 (*API No. 30-015-35052*) to be drilled at a standard oil well location 330 feet from the North line and 583 feet from the West line (Lot 1/Unit D) of Irregular Section 30.

Furthermore, the provisions set forth in Division Administrative Order NSP-1860 shall remain in full force and affect until further notice.

Sincerely,

Michael E. Stogner
Staff Engineer

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
File: NSP-1860
