

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF MACK ENERGY
CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. 15,181

VERIFIED STATEMENT OF STACI SANDERS

Staci Sanders, being duly sworn upon her oath, deposes and states:

1. I am a landman for Mack Energy Corporation, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the working interest owner being pooled has been contacted regarding the proposed well, and has simply not decided whether to join in the well or farm out its interest.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks the following:

Mack Energy Corporation seeks an order pooling all mineral interests from the surface to the base of the Third Bone Spring zone of the Bone Spring formation underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, Township 23 South, Range 27 East, N.M.P.M., to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit will be dedicated to the Lava Fee Well No. 1, to be drilled from a surface location 1150 feet from the south and east lines of Section 3 to an orthodox bottomhole location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.

Oil Conservation Division
Case No. 15181
Exhibit No. 1

(c) The party being pooled, its working interest in the well unit, and its address, are as follows:

COG Production, LLC	25%
(COG Operating LLC)	
One Concho Center	
600 West Illinois	
Midland, Texas 79701	

The above address is current and correct.

(d) A copy of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit B. We have also had several telephone discussions and e-mails with COG Operating LLC. The parties are in discussions regarding a term assignment, but due to a lease expiring on August 11, 2014, Mack Energy Corporation must proceed with the pooling application. If the parties agree to a term assignment, Mack Energy Corporation will notify the Division.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting working interest owner.

(f) Copies of the Authority for Expenditure for the proposed wells is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

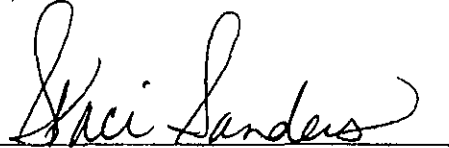
(g) Overhead charges of \$6,500.00/month for a drilling well, and \$650.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(h) Applicant requests that it be designated operator of the wells.

VERIFICATION

STATE OF NEW MEXICO)
) ss.
COUNTY OF EDDY)

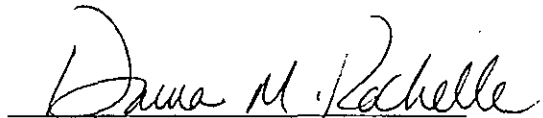
Staci Sanders, being duly sworn upon her oath, deposes and states that: She is a landman for Mack Energy Corporation; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge, information, and belief.



Staci Sanders

SUBSCRIBED AND SWORN TO before me this 6th day of August, 2014 by Staci Sanders.

My Commission Expires: 10-7-2015

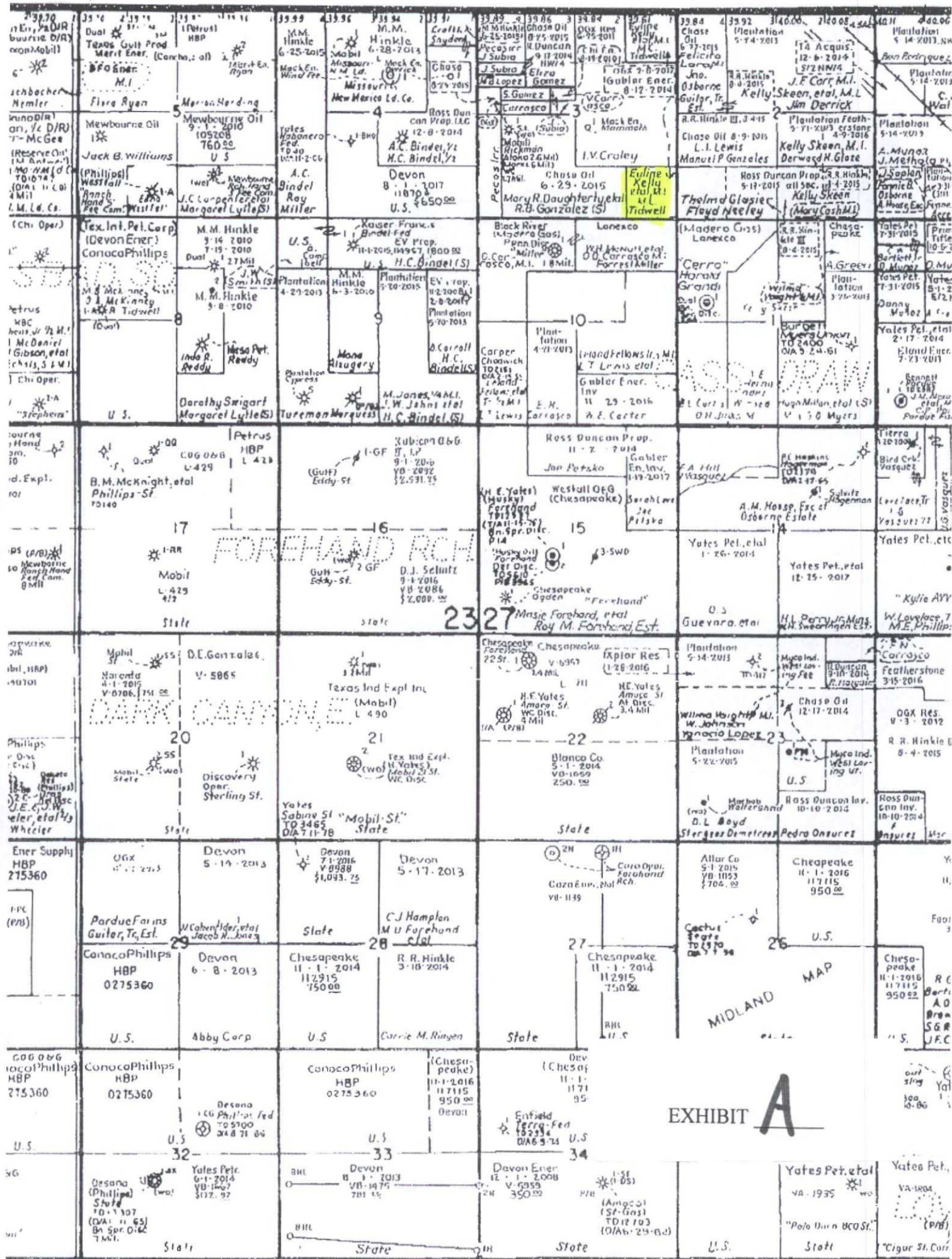


Notary Public



OFFICIAL SEAL
Dawn M. Rochelle
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 10-7-2015





P.O. Box 960
Artesia, NM 88211-0960
Office (575) 748-1288
Fax (575) 748-7374

April 25, 2014

Via Certified Mail

Mr. Caleb Hopson
COG Operating LLC
600 W. Illinois Ave.
Midland, Texas 79701

RE: Well Proposal - Lava Fee #1
SHL: 1150' FSL & 1150' FEL
BHL: 965' FSL & 965' FEL
Lot 1 & SE/4SE/4 of Section 3, T23S, R27E
Eddy County, New Mexico

Dear Mr. Hopson:

Mack Energy Corporation ("Mack"), as Operator, invites COG Operating LLC ("COG") to join in the drilling of the Lava Fee #1 Well, located 1150 feet FSL and 1150 feet FEL, in Section 3, T23S, R27E, Eddy County, New Mexico. Following is a summary of plans for this well:

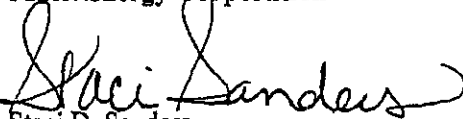
1. Drill a S-Curve well to a total measured depth of 9,500 feet;
2. Complete the 1st, 2nd and 3rd Bone Spring Sands;
3. Perform a 3 stage frac;
4. Put the well on production.

Enclosed for your review you will find an AFE (in duplicate), a Joint Operating Agreement (JOA) and a Model Form Recording Supplement. If you wish to join in the drilling of this well, please execute and return one AFE and the extra signature pages to the JOA and Recording Supplement.

If you have any questions please do not hesitate to contact me at 575-748-1288 or via email at stacis@mec.com.

Sincerely,

Mack Energy Corporation


Staci D. Sanders
Land Department

Enclosures

EXHIBIT B

7011 1150 0001 0154 6496

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 11.05



Mr. Caleb Hopson
COG Operating LLC
600 W. Illinois Avenue
Midland, Texas 79701

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Caleb Hopson
COG Operating LLC
600 W. Illinois Avenue
Midland, Texas 79701

Lava Fee #1 JOA AFE

2. Article Number
 (Transfer from service label)

7011 1150 0001 0154 6496

COMPLETE THIS SECTION ON DELIVERY

A. Signature ☒ X *Janet Smith* ☐ Agent ☐ Addressee

B. Received by (Printed Name) *Janet Smith* C. Date of Delivery *4/25/14*

D. Is delivery address different from item 1? ☐ Yes ☒ No
 If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

From: Staci Sanders
Sent: Tuesday, August 05, 2014 3:40 PM
To: 'Brett Douglas'
Subject: RE: Lava Fee #1

Brett,

Here is the revised Term Assignment reflecting the change in 2A and 2B to 25%, creating a 5% ORRI as discussed by phone.

If you have any questions please do not hesitate to contact me.

Thanks!

<https://webmail1.mail.aol.com/38702-111/aol-6/en-us/mail/PrintMessage.aspx>

8/6/2014

Staci Sanders

Chase Oil Corporation

Mack Energy Corporation

575-748-1288 Phone

575-748-7374 Fax

From: Brett Douglas [<mailto:BDouglas@concho.com>]

Sent: Tuesday, August 05, 2014 2:51 PM

To: Staci Sanders

Subject: RE: Lava Fee #1

Staci,

Just had a quick discussion in the hallway with a couple of people involved on this. The feeling now is that we would like to keep a perpetual override and eliminate the option to back in. Would you all be willing to change 2 A and 2 B to 25%, creating a 5% ORRI, eliminate the option to back in, and pay \$1,000/net acre consideration? This was just an informal discussion and would be subject to final management approval, but it's our current offer that we'd like to put out there and see what your thoughts are. Please call me or email me if you have any questions or concerns.

Brett Douglas

Landman

COG OPERATING LLC

One Concho Center

600 W. Illinois Avenue

Midland, Texas 79701

p: (432) 685-4380

f: (432) 221-0853

bdouglas@concho.com



From: Staci Sanders [<mailto:stacis@mec.com>]
Sent: Tuesday, August 05, 2014 11:45 AM
To: Brett Douglas
Subject: RE: Lava Fee #1

Brett,

Attached is our proposed Term Assignment providing for a working interest conversion at payout. Take a look at this and let me know what you think. Please keep in mind the hearing for the well in question is on Thursday, August 7, 2014, so we need to get something in place or we will proceed with the hearing.

If you have any questions please do not hesitate to contact me.

Thanks!

Staci Sanders

Chase Oil Corporation

Mack Energy Corporation

575-748-1288 Phone

575-748-7374 Fax

From: Brett Douglas [<mailto:BDouglas@concho.com>]
Sent: Friday, August 01, 2014 7:55 AM
To: Staci Sanders
Subject: RE: Lava Fee #1

Staci,

I've actually finally got some positive movement on this. After much deliberation, I was able to convince them that we should execute a term assignment or a farm out or any agreement of your choice where we would be able to back in or convert our interest after pay out. This way we can avoid the force pooling, and we can also allow you all to drill your well and continue to develop this acreage. If you've got a proposal or an agreement put together, or if you could get one together for us, we'll review it and most likely be able to reach agreeable terms fairly easily. If you have any questions, feel free to give me a call.

Brett Douglas

Landman

COG OPERATING LLC

One Concho Center

600 W. Illinois Avenue

Midland, Texas 79701

p: (432) 685-4380

f: (432) 221-0853

bdouglas@concho.com



From: Staci Sanders [<mailto:stacis@mec.com>]

Sent: Wednesday, July 30, 2014 3:51 PM

To: Brett Douglas

Subject: RE: Lava Fee #1

Hey Brett,

Any update on this proposal?? The hearing is set for August 7, 2014, which is next week.

Thanks!

Staci Sanders

Chase Oil Corporation

Mack Energy Corporation

575-748-1288 Phone

575-748-7374 Fax

From: Brett Douglas [<mailto:BDouglas@concho.com>]

Sent: Monday, July 28, 2014 6:31 AM

To: Staci Sanders
Subject: Lava Fee #1

Staci,

I apologize for the delay in getting back with you. I've been out of the office and bouncing back and forth between here and Santa Fe the last couple of weeks and I'm trying to get back up to speed. I've had several conversations with our technical team over here regarding the Lava Fee #1 proposal, and I can't seem to get any movement on our end. We've continued to look for acreage we can trade or work a deal with, and so far I haven't had any luck. We've had some discussions about a farmout or term assignment, but the group seems hesitant at this time. I'm going to again revisit that possibility today, and see if I can't get a definitive answer.

Brett Douglas

Landman

COG OPERATING LLC

One Concho Center

600 W. Illinois Avenue

Midland, Texas 79701

p: (432) 685-4380

f: (432) 221-0853

bdouglas@concho.com



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JACK ENERGY CORPORATION
AUTHORIZATION FOR EXPENDITURE

Lava Fee #1

9,500' TMD

SHL: 1150' FSL & 1150' FEL

BHL: 965' FSL & 965' FEL

Sec. 3, T23S, R27E, Eddy County, New Mexico

Code	Drilling Intangible	Dry Hole Without Pipe	Completed Well	Actual Cost
502-015	Administrative Overhead Drilling	\$4,000.00	\$0.00	\$4,000.00
502-020	Location, Roads, Pits, & Damages	\$65,000.00	\$0.00	\$65,000.00
502-100	Footage	\$0.00	\$0.00	\$0.00
502-110	Daywork days \$14500/day	\$290,500.00	\$0.00	\$290,500.00
502-114	Rental Equipment Surface	\$103,535.00	\$0.00	\$103,535.00
502-115	Rental Equipment SubSurface	\$32,100.00	\$0.00	\$32,100.00
502-116	Bits	\$30,000.00	\$0.00	\$30,000.00
502-120	Water-Drilling	\$57,000.00	\$0.00	\$57,000.00
502-125	Mud Materials	\$42,000.00	\$0.00	\$42,000.00
502-200	Cement-- Surface and Intermediate	\$53,700.00	\$0.00	\$53,700.00
502-201	Cement-- Production	\$0.00	\$63,000.00	\$63,000.00
502-204	Fuel & Power	\$53,200.00	\$0.00	\$53,200.00
502-205	Supplies & Misc.	\$0.00	\$0.00	\$0.00
502-500	Testing, Coring, & Mud Logging	\$19,320.00	\$0.00	\$19,320.00
502-600	Open Hole Logs/Wireline	\$55,570.00	\$0.00	\$55,570.00
502-650	Directional Drillers	\$0.00	\$0.00	\$0.00
502-681	Supervision	\$28,500.00	\$0.00	\$28,500.00
502-682	Trailer Rentals & Other Camp Equip.	\$5,130.00	\$0.00	\$5,130.00
	Miscellaneous and Contingency	\$83,555.50	\$0.00	\$83,555.50

Code	Total Drilling Intangibles	\$923,110.50	\$63,000.00	\$986,110.50
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Completion Intangibles				
502-015	Administrative Overhead Completion	\$0.00	\$1,400.00	\$1,400.00
502-021	Battery Construction-Dirt Work,Etc	\$0.00	\$55,000.00	\$55,000.00
502-103	Completion Unit	\$0.00	\$20,100.00	\$20,100.00
502-210	Fuel, Water, Power	\$0.00	\$150,700.00	\$150,700.00
502-350	Completions Surface Rentals	\$0.00	\$83,576.00	\$83,576.00
502-360	Completions SubSurface Rentals	\$0.00	\$20,959.00	\$20,959.00
502-601	Perforating and Logging	\$0.00	\$34,000.00	\$34,000.00
502-610	Frac and/or Acid Treatment	\$0.00	\$465,000.00	\$465,000.00
502-680	Professional Services	\$0.00	\$12,500.00	\$12,500.00
502-700	Miscellaneous Services	\$0.00	\$5,000.00	\$5,000.00
	Contingency	\$0.00	\$84,683.50	\$84,683.50

Code	Total Completion Intangibles	\$0.00	\$932,918.50	\$932,918.50
	Total Intangibles	\$923,110.50	\$995,918.50	\$1,919,029.00

Drilling and Completion Tangibles				
170-105	Surface Casing 13 3/8" 48# H-4 400	\$15,163.53	\$0.00	\$15,163.53
170-110	Intermediate Casing 9 5/8" 36# J-55 2100	\$54,654.60	\$0.00	\$54,654.60
170-115	Production Casing 7" 26# L-80 9500	\$0.00	\$150,314.94	\$150,314.94
170-115	Production Liner 0 0	\$0.00	\$0.00	\$0.00
170-120	Production Tubing 2 7/8" 6.5# L-80 5100	\$0.00	\$58,305.00	\$58,305.00
170-125	Wellhead Equipment-- Long String	\$0.00	\$14,000.00	\$14,000.00
170-126	Wellhead Equipment-- Surface & Intermediate	\$5,000.00	\$0.00	\$5,000.00
170-130	Floating Equipment-- Long String	\$0.00	\$18,200.00	\$18,200.00
170-131	Floating Equipment-- Surface & Intermediate	\$1,200.00	\$0.00	\$1,200.00
170-135	Rods	\$0.00	\$55,624.77	\$55,624.77
170-140	Subsurfaces Equipment	\$0.00	\$4,500.00	\$4,500.00
170-145	Linepipe	\$0.00	\$3,500.00	\$3,500.00
170-150	Tanks, Treater, Separators	\$0.00	\$180,000.00	\$180,000.00
170-155	Pumping Unit And Engine	\$0.00	\$100,000.00	\$100,000.00
170-160	Other Miscellaneous Equipment	\$0.00	\$5,000.00	\$5,000.00
	Contingency	\$7,601.81	\$58,944.47	\$66,546.28

Total Tangible	\$83,619.94	\$648,389.17	\$732,009.11
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TOTAL WELL COSTS	\$1,006,730.44	\$1,644,307.67	\$2,651,038.11
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Prepared By: Lee Livingston

Total Contingency: \$234,785.28
Total w/o Contingency: \$2,416,252.83

Interest Owner: COG OPERATING LLC

Interest: 25% WI

Approved By: _____

Date: _____

EXHIBIT