

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

ACO 278

IN THE MATTER OF MACK ENERGY CORPORATION [OGRID 13837]
BUNKER HILL UNIT WELL NO. 5 (30-015-24350)
BUNKER HILL UNIT WELL NO. 12 (30-015-24043)
Respondent.

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AGREED ORDER DIRECTING COMPLIANCE

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to Mack Energy Corporation (hereinafter "Mack") directing compliance with the Act and OCD Rules.

I. FINDINGS & DETERMINATIONS BY THE OCD

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Mack is a corporation doing business in New Mexico, registered with the New Mexico Public Regulatory Commission under NMSCC 1469477. Mack is an active entity with a mailing and principal address of 11344 Lovington Hwy., Artesia, NM, 88210; Mack Chase is the registered agent.
3. Mack is the Operator of Record of:

Bunker Hill Unit Well No. 5, 1980 FNL and 760 FWL Sec. 13 16S 31E 30-015-24350
Bunker Hill Unit Well No. 12, 660 FSL and 660 FWL Sec. 14 16S 31E 30-015-24043
4. On or about March 8, 2013, Mack met with representatives of the OCD to discuss the above wells re-completion outside of the unitized interval.

II. STATEMENTS & ADDITIONAL INFORMATION PROVIDED BY THE OPERATOR, MACK ENERGY

Mack provided the following information at the March 8, 2013 Administrative Conference.

5. In 2005 Chase Oil Corporation ("Chase") acquired 88.43% of the working interest in the Bunker Hill Unit (the "Unit"). The unitized interval is the Penrose Queen

formation (Bunker Hill-Penrose Pool). Mack is the duly authorized operator of the wells in the Unit.

6. At the time of acquisition, approximately one-half of the wells in the Unit were shut-in or out of compliance. Mack re-worked the wells or otherwise caused them to be placed back in compliance.

7. In an attempt to increase production from Unit wells, Mack re-entered and re-completed the Bunker Hill Unit Well Nos. 5 and 12. The wells tested the Premier Grayburg formation, which is below the unitized interval. This work is not reflected in the Division's well files. No one at Mack remembers whether the work was reported to the Division at the time it was done or, if not, why it was not reported to the Division.

8. In late 2012, as a result of a self-audit of its approximately 250 operated wells, Mack discovered the reporting discrepancies with the Bunker Hill Unit Well Nos. 5 and 12, Mack began an internal review to correct the situation.

9. From its internal review, Mack learned that any increased production from the Bunker Hill Unit Well Nos. 5 and 12 as a result of the re-working was marginal, uneconomic, and insufficient to cover the re-working costs and operating costs. Mack did not recover any costs of the re-working from any non-affiliated working interest owners.

10. Mack is checking title regarding ownership of the Premier Grayburg formation in the well units for the Bunker Hill Unit Well Nos. 5 and 12. Mack will compensate the interest owners in the Premier Grayburg formation in accordance with law.

11. Mack is considering selling or transferring ownership of the Unit, but recognizes that Division records must be corrected before any sale or transfer of operatorship will be approved by the Division.

12. Mack has received permission to plug and abandon the Bunker Hill Unit Well Nos. 5 and 12, which cannot be produced economically.

13. After consulting with the Division, it appears that Forms C-102, C-103 (reporting the work and changing well names), C-104, C-105, and C-115 will need to be filed for the two wells. In addition, Mack will need to file amended C-115s for all wells that produced into the tank battery used by the two Bunker Hill wells because production and disposition volumes will need to be re-prorated. Mack will file the appropriate forms as required by the Division.

III. CONCLUSIONS OF THE OCD

14. The OCD has jurisdiction over the parties and subject matter in this proceeding.
15. Mack, if it has not already done so, is instructed to complete and file new C-103 (Sundry Notice), C-115 (Operator's Monthly Report), C-102 (Well Location and Acreage Dedication Plat), and C-104 (Request for Allowable and Authorization to Transport) no later than September 15, 2013.
16. By signing this Order, Mack expressly:
- acknowledges the authority of the OCD to render the above "Findings & Determinations" and "Conclusions";
 - agrees to comply with the Order, specifically as articulated in Section "III," Paragraph 15, above;
 - waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
 - agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act;
17. Nothing in this Order relieves Mack of its responsibility for compliance with any other federal, state or local laws and/or regulations.

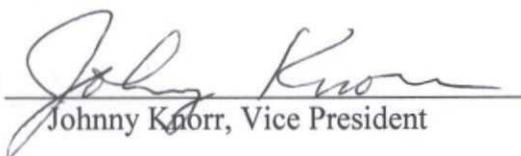
Done at Santa Fe, New Mexico this 28th day of May 2013.

By: 
Jami Bailey
Director, Oil Conservation Division

ACCEPTANCE

Mack Energy Corporation (OGRID No. 13837), hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

Mack Energy Corporation

By: 
Johnny Knorr, Vice President

Date: 5/22/2013