

ABOVE THIS LINE FOR DIVISION USE ONLY

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



**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 \_\_\_\_\_

[2] **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

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

[4] **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

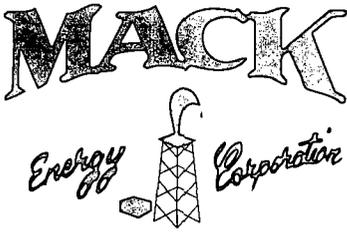
*Jerry W. Sherrell*  
 Signature

Production Clerk  
 Title

9/25/08  
 Date

jerrys@mackenergycorp.com  
 e-mail Address

RECEIVED  
 2008 SEP 29 PM 2 49



Post Office Box 960  
Artesia, NM 88211-0960  
Office (575) 748-1288  
Fax (575) 746-9539

September 25, 2008

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

Re: Downhole Commingling, and measurement of  
Hydrocarbon Production for:  
B Lee State #4  
Section 7, T18S, R35E  
Lea County, New Mexico

Mack Energy Corporation as operator of the aforementioned well respectfully requests administrative approval for down hole commingling and measurement of production.

Mack Energy Corporation proposes to commingle Vacuum; Grayburg-San Andres and Vacuum; Blinebry production in the B Lee State #4 well. Production of all pools will be measured at the B Lee State TB located in the SE/4 NW/4, Sec. 7 T18S R35E. This lease has common interest in all affected pools. Notification has been made to all parties owning an interest in this lease, including the oil purchaser, of the intent to commingle. Testing will be conducted and allocation percentages will be sent to OCD after completion of this well. The subtraction method will be used to allocate production based on increased production from the added zone.

Should you require any additional information concerning this application, please call Jerry W. Sherrell at the above number. Thank you for your consideration of this request.

Sincerely,

MACK ENERGY CORPORATION

Jerry W. Sherrell  
Production Clerk  
[jerrys@mackenergycorp.com](mailto:jerrys@mackenergycorp.com)

JWS/  
Enclosures

Cc: State Land Office

## MEMO

DATE: September 25, 2008

TO: NMOCD

FROM: Ronald W. Lanning  
Land Manager  
Mack Energy Corporation

SUBJECT: 1490 – B Lee State Lease  
Lea County, New Mexico

A portion of State of New Mexico Lease No. E-6002-6 is our B Lee State Lease. Our portion of the lease covers Lots 2, 3, and 4, and the SE/4NW/4 of Section 7, T18S, R35E, as to rights from the surface to the base of the Abo Reef formation, save and except the unitized interval of the Central Vacuum Unit (Grayburg/San Andres) in Lot 2 and the SE/4NW/4. Affiliates of Mack Energy Corporation (Chase Oil Corporation and Chase family members) own 100% of the working interest in these depths. The royalty and overriding royalty interests are common throughout these depths.



RWL:

District I  
1625 N French Dr, Hobbs, NM 88240  
District II  
811 South First, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd, Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
EnerRy, Minerals & Natural Resources

Form C-102  
Revised March 17, 1999

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number 30-025-03095		'Pool Code 62180		'Pool Name Vacuum; Grayburg - San Andres	
'Property Code 33654		'Property Name B Lee State			'Well Number 4
'OGRID No 013837		'Operator Name Mack Energy Corporation			'Elevation 3965' GR

III Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lot 3	7	18S	35E		2055	South	660	West	Lea

" 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 37.88	"Joint or Infill	"Consolidation Code	"Order No
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL XL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	<b>OPERATOR CERTIFICATION</b>			
	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.			
	Signature <i>Jerry W. Sherrell</i>			
	Printed Name Jerry W. Sherrell			
Title Production Clerk				
Date 2/19/08				
	<b>"SURVEYOR CERTIFICATION</b>			
	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			
	Date of Survey			
	Signature and Seal of Professional Surveyor			
Certificate Number				

District I  
1625 N French Dr, Hobbs, NM 88240  
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

"API Number 30-025-03095		"Pool Code 61850		"Pool Name Vacuum; Blinebry	
"Property Code 33654		"Property Name B Lee State			"Well Number 4
"OGRID No 013837		"Operator Name Mack Energy Corporation			"Elevation 3965' GR

III Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lot 3	7	18S	35E		2055	South	660	West	Lea

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"Dedicated Acres 37.88	"Joint or Infill	"Consolidation Code	"Order No
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16					<p><b>OPERATOR CERTIFICATION</b></p> <p><i>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 unless 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.</i></p>
					<p>Signature <i>Jerry W. Sherrell</i></p> <p>Printed Name Jerry W. Sherrell</p>
					<p>Title Production Clerk</p> <p>Date 2/19/08</p>
					<p><b>"SURVEYOR CERTIFICATION</b></p> <p><i>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</i></p>
					<p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p>
					<p>Certificate Number</p>

District I  
1621 N. French Drive, Hobbs, NM 88240

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised June 10, 2003

District II  
1301 W. Grand Avenue, Artesia, NM 88210

**Oil Conservation Division**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

APPLICATION TYPE  
 Single Well  
 Establish Pre-Approved Pools  
EXISTING WELLBORE  
 Yes  No

District III  
1000 Rio Brazos Road, Aztec, NM 87410

District IV  
1220 S. St Francis Dr., Santa Fe, NM 87505

**APPLICATION FOR DOWNHOLE COMMINGLING**

**DHC-4088**

Mack Energy Corporation P.O. Box 960, Artesia, NM 88211-0960  
Operator Address

B Lee State 4 Unit L Sec. 7-18S-35E Lea  
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 013837 Property Code 33654 API No. 30-025-03095 Lease Type:  Federal  State  Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Vacuum; Grayburg-San Andres	Vacuum; Blinebry	
Pool Code	62180	61850	
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2920-4970'	5936-6060.5'	
Method of Production (Flowing or Artificial Lift)	Artificial Lift	Artificial Lift	
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)			
Producing, Shut-In or New Zone	New Zone	Producing	
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: _____ Rates: _____	Date: 9-23-08 Rates: 8/8/55	Date: _____ Rates: _____
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or put production, supporting data or explanation will be required.)	Oil _____ % Gas _____ %	Oil _____ % Gas _____ % <i>Subtraction</i>	Oil _____ % Gas _____ %

**ADDITIONAL DATA**

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes  No \_\_\_\_\_  
 If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes \_\_\_\_\_ No \_\_\_\_\_

Are all produced fluids from all commingled zones compatible with each other? Yes  No \_\_\_\_\_

Will commingling decrease the value of production? Yes \_\_\_\_\_ No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes \_\_\_\_\_ No \_\_\_\_\_

NMOCD Reference Case No. applicable to this well: \_\_\_\_\_

**Attachments:**

- C-1 02 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

**PRE-APPROVED POOLS**

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief

SIGNATURE Jerry W. Sherrell TITLE Production Clerk DATE 9/24/08  
 TYPE OR PRINT NAME Jerry W. Sherrell TELEPHONE NO. ( 575 ) 748-1288  
 E-MAIL ADDRESS jerrys@mackenergycorp.com



**Jones, William V., EMNRD**

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**From:** Jerry Sherrell [jerrys@mackenergycorp.com]  
**Sent:** Monday, November 03, 2008 2:25 PM  
**To:** Jones, William V., EMNRD  
**Subject:** RE: B Lee State #4 DHC 30-025-03095  
**Attachments:** B Lee State #4 Decline Rate.xls; B Lee #4 Oil Curve.doc

Hello Will,

- 1) The perms were a typo on my part. Should be 4920-4970'.
- 2) Attached is the info from our engineer.

Thanks,

Jerry W. Sherrell  
Mack Energy Corporation  
Office 575-748-1288  
Cell 575-703-8383  
jerrys@mackenergycorp.com

---

**From:** Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]  
**Sent:** Tuesday, October 28, 2008 5:05 PM  
**To:** Jerry Sherrell  
**Cc:** Ezeanyim, Richard, EMNRD  
**Subject:** RE: B Lee State #4 DHC 30-025-03095

Jerry - I have it ready to release, but would you send:

- 1) actual perms or planned perms for the VGSA Pool. The 2920-4970 depths would put it up in the Yates, so that can't be correct.
- 2) you want to use the subtraction method, but you did not say anything about the Blinebry decline. Send a Rate-Time plot of the Blinebry production since it was completed in March. If it is predictable, then you should propose a decline rate for projection into the future, so you can use the subtraction method.

Thank You,

William V. Jones PE  
New Mexico Oil Conservation Division  
1220 South St. Francis  
Santa Fe, NM 87505  
505-476-3448

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This inbound email has been scanned by the MessageLabs Email Security System.

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11/3/2008