

30.015.30897

OCD Artesia



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE
620 E. Greene Street
Carlsbad, New Mexico 88220-6292



IN REPLY REFER TO:
NMNM123266
3105.2 NM (P0220)

JUL 27 2009

CERTIFIED MAIL INFO

Mack Energy Corp.
Attn: Staci Sanders
PO Box 960
Artesia, NM 88211-0960

Gentlemen:

Enclosed is one approved copy of Communitization Agreement NMNM123266, involving 80.00 acres of Federal land in lease NM-87314, 40.00 acres of Federal land in lease NM-97853 and 200.00 acres of State land in lease V-4841, in Eddy County, New Mexico, comprising a 320.00-acre well spacing unit.

The agreement communitizes all rights as to the gas and associated liquid hydrocarbons producible from the Wolfcamp formation in S/2, Section 20, T. 18 S., R. 24 E., NMPM, and is effective October 1, 2008. Per the pool maps provided by NMOCD, there is no pool established for the Wolfcamp.

The approval is for the Wolfcamp formation and is contingent on NMOCD designating a pool for this acreage. Submit documentation of such pool designation within 6 months of receipt of this letter. The communitization agreement will terminate within 6 months of the receipt of this letter if the documentation has not been submitted.

Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call the Division of Lands and Minerals at (575) 234-5972.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

/s/ Don Peterson

Don Peterson
Assistant Field Manager,
Lands and Minerals

1 Enclosure:
1 - Communitization Agreement

cc:
MMS, Denver (357B-1, Antoinette Contreras, Stacey Kaiser)

NM Taxation & Revenue Dept.(Revenue Processing Div.)
Attention: Manuelita Martinez
P. O. Box 2308
Santa Fe, NM 87504
NMOCD-Artesia
NM (921)
NM (522-CFO, File Room)

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program **proposed** for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement covering the S/2, Section 20, T. 18 S., R. 24 E., NMPM, Eddy County, New Mexico, as to the gas and associated liquid hydrocarbons producible from the Wolfcamp formation. This approval will become invalid if the public interest requirements under section 3105.2-3(e) are not met.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved:

JUL 27 2009

/s/ Don Peterson

Authorized Officer

Effective: October 1, 2008

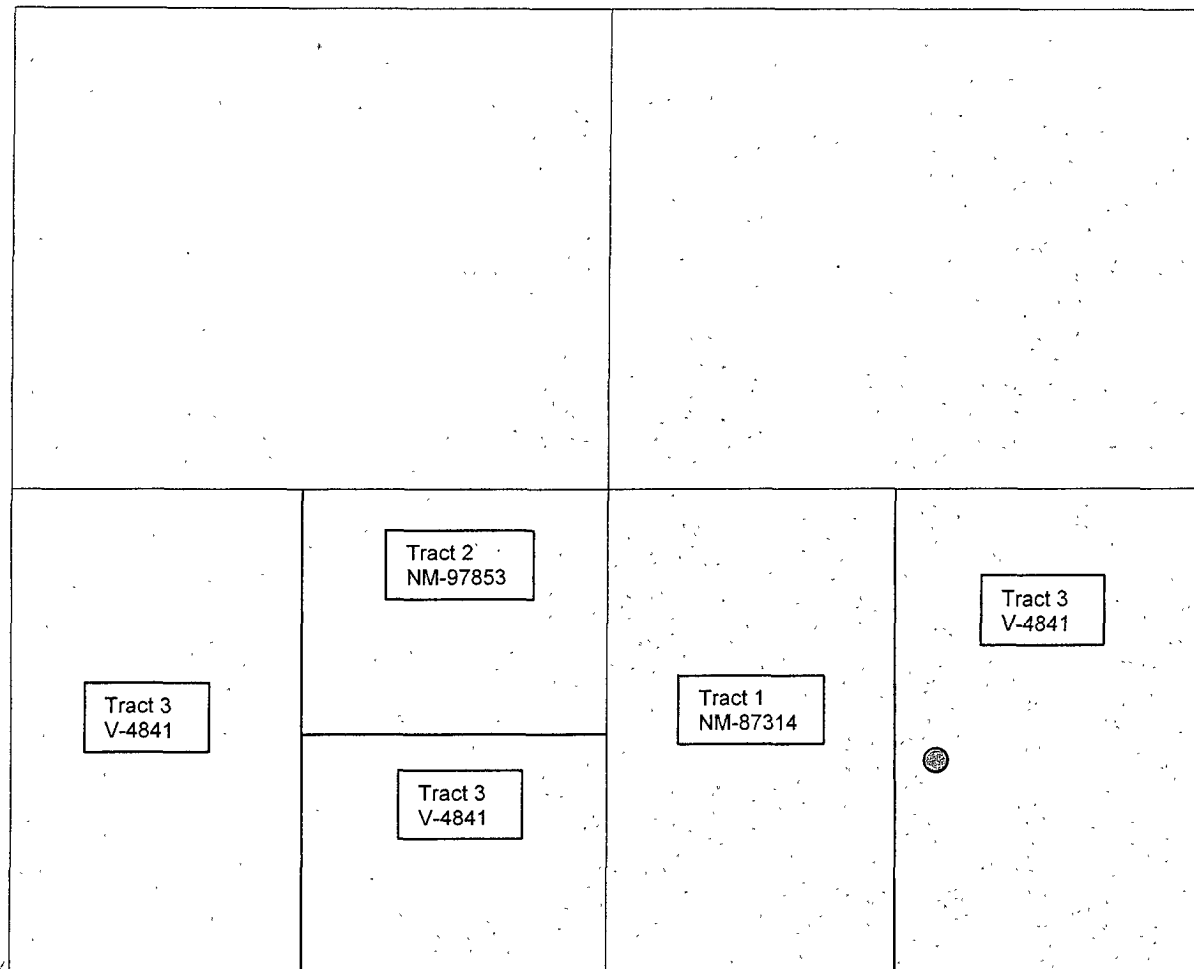
Contract No.: Com. Agr. NMNM123266

30.015.30897

EXHIBIT "A"

To Communitization Agreement dated October 1, 2008.

S/2 Section 20, T18S, R24E, Eddy County, New Mexico



⊗ Southern Cross 20 State Com #1

1,200' FSL & 1,100' FEL

EXHIBIT "B"

To Communitization Agreement dated October 1, 2008, embracing the South Half of Section 20, Township 18 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.

Operator of Communitized Area: Mack Energy Corporation

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.:	NMNM-87314
Lease Date:	November 1, 1991
Lease Term:	10 Years
Lessor:	United States of America
Original Lessee:	Yates Petroleum Corporation, Yates Drilling Company, ABO Petroleum Corporation and MYCO Industries, Inc.
Present Lessee:	Yates Petroleum Corporation, Yates Drilling Company, ABO Petroleum Corporation and MYCO Industries, Inc.
Description of Land Committed:	<u>Township 18 South, Range 24 East</u> Section 20: W/2 SE/4
Number of Acres:	80.00
Royalty Rate:	1/8 th
Name and Percent ORRI Owners:	None
Name and Percent WI Owners:	Yates Drilling Company .32000000 ABO Petroleum Corporation .32000000 MYCO Industries, Inc. .32000000 Yates Petroleum Corporation .04000000

Tract No. 2

Lease Serial No.:	NMNM-97853
Lease Date:	December 1, 1996
Lease Term:	10 Years
Lessor:	United States of America
Original Lessee:	Penwell Energy, Inc.
Present Lessee:	Chase Oil Corporation
Description of Land Committed:	<u>Township 18 South, Range 24 East</u> Section 20: NE/4 SW/4
Number of Acres:	40.00
Royalty Rate:	1/8 th
Name and Percent ORRI Owners:	Paul R. Barwis .00250000 Jareed Partners, Ltd. .00250000 Kingdom Investments Limited .00175000 Penwell Employee Royalty Pool .00075000 John L. Thoma .00037500 Sandra Mary Thoma .00037500 Goldking Energy Partners I, LP .00054835 Rave Energy, Inc. .00003500 Energy Royalties, LLC .00029165 Robro Royalty Partners, Ltd. .00043750 Bitter End Royalties, LP .00043750
Name and Percent WI Owners:	Chase Oil Corporation .65625000 Mazzullo Energy Corp. .01174391 Legacy Reserves Operating, LP .11325609 Robert C. Chase .08750000 Richard L. Chase .08750000 Gerene Dianne Chase Ferguson, .04375000 dealing in her separate property.

Tract No. 3

Lease Serial No.: V-4841

Lease Date: April 1, 1996

Lease Term: 5 Years

Lessor: State of New Mexico

Original Lessee: Doug J. Schutz

Present Lessee: Chase Oil Corporation

Description of Land Committed: Township 18 South, Range 24 East
Section 20: E/2 SE/4, SE/4 SW/4, W/2 SW/4

Number of Acres: 200.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners:

Paul R. Barwis	.00250000
Jareed Partners, Ltd.	.00250000
Kingdom Investments Ltd.	.00175000
Penwell Employee Royalty Pool	.00075000
John Thoma	.00037500
Sandra Mary Thoma	.00037500
Goldking Energy Partners I, LP	.00054835
Rave Energy, Inc.	.00003500
Energy Royalties, LLC	.00029165
Robro Royalty Partners, Ltd.	.00043750
Bitter End Royalties, LP	.00043750

Name and Percent WI Owners:

Chase Oil Corporation	.65625000
Mazzullo Energy Corp.	.01174391
Legacy Reserves Operating, LP	.11325609
Robert C. Chase	.08750000
Richard L. Chase	.08750000
Gerene Dianne Chase Ferguson, dealing in her separate property	.04375000

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percentage of Interest In Communitized Area</u>
No. 1	80.00 Acres	25.00%
No. 2	40.00 Acres	12.50%
No. 3	<u>200.00 Acres</u>	<u>62.50%</u>
	320.00 Acres	100.00%



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 E. Greene Street
Carlsbad, New Mexico 88220

IN REPLY REFER TO
NM-123266
3107 (P0220)

July 22, 2009

Memorandum

To: State Director (9200)

From: Legal Instrument Examiner (P0220)

Subject: First Production, Lease NM-123266

Date of Completion: August 29, 2008

Field: Wolfcamp

Operator/Well Name & No: Mack Energy Corp/ 1-Southern Cross 20 State Com

Location: SESE Sec. 20, T. 18 S., R. 24 E.,
NMPM, Eddy County, New Mexico

Total Depth: 8700'

Total Elevation: 3970' GR

Production Formation: Wolfcamp

Well Capable of Production
In Paying Quantities: Yes

Initial Daily Production: 0 BO, 16 MCFG And 0 BWPD

Current Status: Producing oil Well

Remarks: CA NM 123266 involving 80 ac Fed Lease NM87314 & 40 ac Fed Lease NM97853 & 200 ac in State land for a 320 ac well spacing, all rights to crude oil & associated natural gases from the Wolfcamp formation in the S/2 Sec.20-T18S-R24E, Eddy Co., effective date 10/1/2008.

If you have any questions regarding this memorandum, please call Debbie McKinney at (575) 234-5931.

/S/ Debbie McKinney

cc:
MMS-Denver
First Production File
NM (P0220 File Room)