

OCD-HOBBS

Form 3160-3
(April 2004)

HOBBS OCD

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JUN 25 2012

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|--|---|
| 1a. Type of work- <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No NMLC-029406B |
| 1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator Mack Energy Corporation | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address P.O. Box 960 Artesia, NM 88211-0960 | | 8. Lease Name and Well No. Pintail Federal #3 <37844> |
| 3b. Phone No. (include area code) (575)748-1288 | | 9. API Well No. 30-025 40643 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 330 FSL & 990 FWL Unit m | | 10. Field and Pool, or Exploratory Maljamar; Grayburg-San Andres <43329> |
| 14. Distance in miles and direction from nearest town or post office* 2 miles SW of Maljamar, NM | | 11. Sec., T R M or Blk. and Survey or Area Sec. 8 T17S R32E |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drilg unit line, if any) 330 ft | 16. No. of acres in lease 1606.80 | 12. County or Parish Lea |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1320 | 19. Proposed Depth 5500' 5400' | 13. State NM |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4016' GR | 22. Approximate date work will start* 3/20/2012 | 17. Spacing Unit dedicated to this well 40 |
| 23. Estimated duration 15 days | | 20. BLM/BIA Bond No. on file NMB000286 |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form

- | | |
|---|--|
| 1 Well plat certified by a registered surveyor | 4 Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2 A Drilling Plan | 5 Operator certification |
| 3 A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office) | 6 Such other site specific information and/or plans as may be required by the authorized officer |

| | | |
|---|---|---------------------|
| 25. Signature <i>Jerry W. Sherrell</i> | Name (Printed/Typed) Jerry W. Sherrell | Date 3-9-2012 |
| Title Production Clerk | | |
| Approved by (Signature) /s/ Don Peterson | Name (Printed/Typed) | Date JUN 22 2012 |
| Title FIELD MANAGER | Office CARLSBAD FIELD OFFICE | |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon
Conditions of approval, if any, are attached

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

KZ 06/26/12

Roswell Controlled Water Basin

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

JUN 28 2012

DRILLING PROGRAM

1. Geologic Name of Surface Formation

Quaternary

2. Estimated Tops of Important Geologic Markers:

| | | | |
|--------------|-------|------------|-------|
| Rustler | 829' | | |
| TOS | 937' | Queen | 3108' |
| BOS | 2134' | Grayburg | 3534' |
| Yates | 2154' | San Andres | 3851' |
| Seven Rivers | 2492' | Glorieta | 5354' |

3. Estimated Depths of Anticipated Fresh Water, Oil and Gas:

| | | |
|------------|-------|-------------|
| Water Sand | 150' | Fresh Water |
| Yates | 2154' | Oil/Gas |
| San Andres | 3851' | Oil/Gas |
| Glorieta | 5354' | Oil/Gas |

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Setting 8 5/8" casing to 900' and circulating cement back to surface will protect the surface fresh water sand. Salt section and zones above producing interval will be protected by the 5 1/2" production casing set 5400', sufficient cement will be pumped to circulate back to surface.

4. Casing Program:

| Hole Size | Interval | OD Casing | Wt, Grade, Jt, cond, collapse/burst/tension |
|-----------|------------------------|-----------|---|
| 12 1/2" | 0-900' ^{830'} | 8 5/8" | 24#, J-55, ST&C, New, 3.11/5.58/5.90 |
| 7 7/8" | 0-5400' | 5 1/2" | 17#, L-80, LT&C, New, 2.24/2.68/2.58 |

5. Cement Program:

8 5/8" Surface Casing: Lead 425sx, Class C + 4% PF20 + 2% PF46 + 2% PF1 + .125% PF130, yield 1.75, excess 100%, Tail 200sx Class C 2% PF1 + .125% PF130, yield 1.33.
5 1/2" Production Casing: Lead 400sx 35/65 P/C + 5% PF44 + 6% PF20 + 2#/sx PF42 + 1.5% PF112 + .125#/sx PF130 + .25#/sx PF46 + .2% PF13, yield 2.19, excess 35%, Tail 400sx PVL + 2% PF167 + .2% PF65 + .2% PF13 + .25#/sx PF46, yield 1.38.

6. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #10 will consist of a double ram-type (3000 psi WP) minimum preventer with annular. This unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top of 4 1/2" drill

pipe rams on bottom. The 11" BOP will be nipped up on the 8 5/8" surface casing and tested by a 3rd party to 2000 psi used continuously until TD is reached. All BOP's and accessory equipment will be tested to 2000 psi before drilling out of surface casing. Pipe rams will be operationally checked each 24-hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. Other accessories to the BOP equipment (Exhibit #10) will include a Kelly cock and floor safety valve and choke lines and choke manifold (Exhibit #11) with a minimum 3000 psi WP rating

7. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of brine and cut brine mud system. The applicable depths and properties of this system are as follows:

| DEPTH | TYPE | WEIGHT | VISCOSITY | WATERLOSS |
|--------------------|-------------|--------|-----------|-----------|
| 0-900' <i>830'</i> | Fresh Water | 8.5 | 28 | N.C. |
| <i>900'</i> -TD' | Brine | 10 | 30 | N.C. |

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site at all times.

8. Auxiliary Well Control and Monitoring Equipment:

- A. Kelly cock will be kept in the drill string at all times.
- B. A full opening drill pipe-stabbing valve with proper drill pipe connections will be on the rig floor at all times.

9. Logging, Testing and Coring Program:

- A. The electric logging program will consist of GR-Dual Laterolog, Spectral Density, Dual Spaced Neutron, CSNG Log from T.D. to 8 5/8 casing shoe.
- B. Drill Stem test is not anticipated.
- ~~C. No conventional coring is anticipated.~~
- D. Further testing procedures will be determined at TD.

See COA

10. Abnormal Conditions, Pressures, Temperatures and Potential Hazards:

No abnormal pressures or temperatures are anticipated. The estimated bottom hole at TD is 120 degrees and estimated maximum bottom hole pressure is 2,268 psig. Low levels of Hydrogen sulfide have been monitors in producing wells in the area, so H₂S may be present while drilling of the well; a plan is attached to the Drilling program. No major loss of circulation zones has been reported in offsetting wells.

11. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is April 12, 2012. Once commenced, the drilling operation should be finished in approximately 15 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

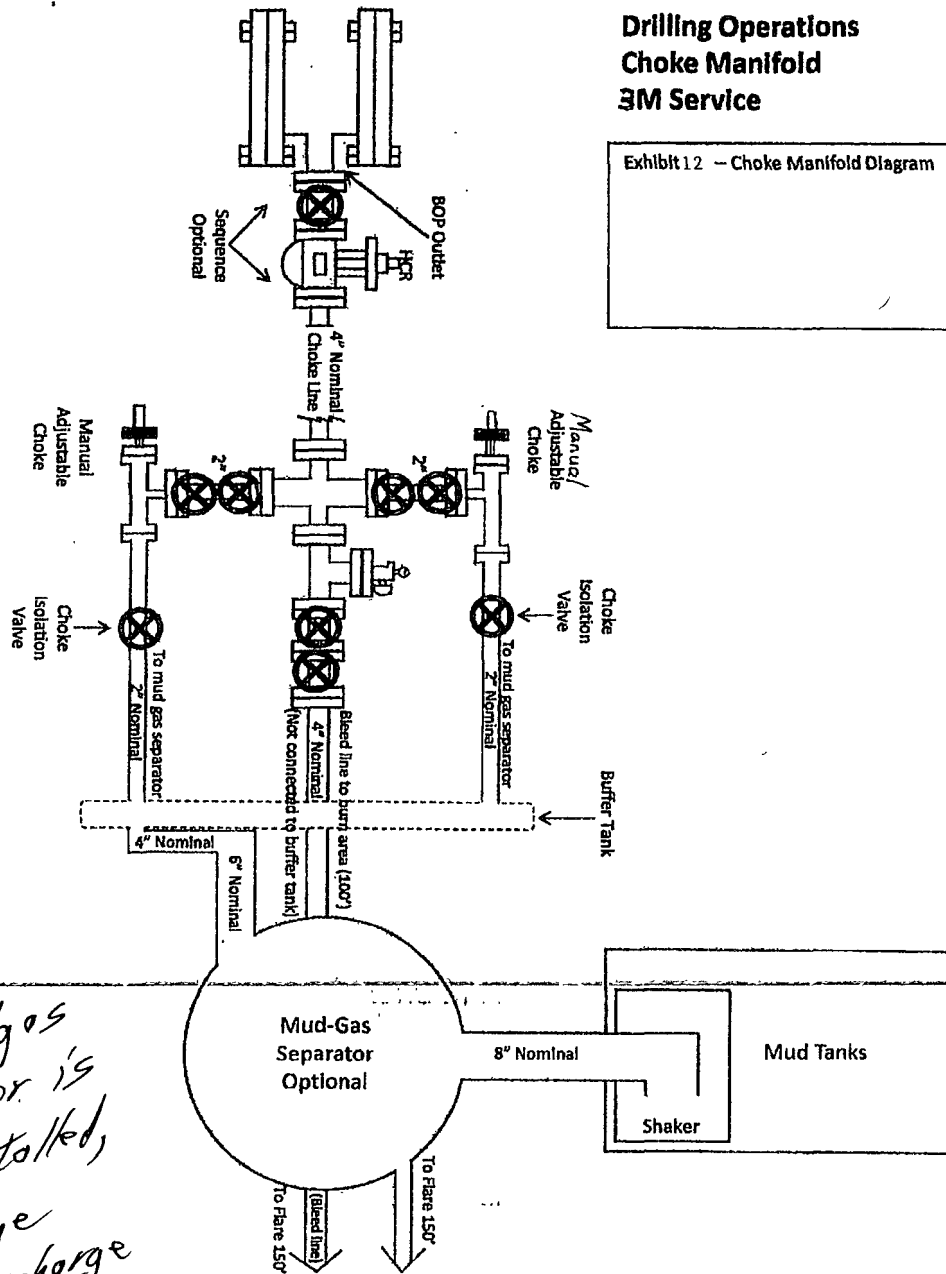
Mack Energy Corporation

MANIFOLD SCHEMATIC

Exhibit #12

Drilling Operations Choke Manifold 3M Service

Exhibit 12 - Choke Manifold Diagram



If mud/gas separator is not installed, choke line shall discharge a minimum of 100' from wellbore.

Attached to Form 3160-3
Mack Energy Corporation
Pintail Federal #3
330 FSL & 990 FWL, SW/SW, Sec. 8 T17S R32E
Lea County, NM

Attachment to Exhibit #10
NOTES REGARDING THE BLOWOUT PREVENTERS
Pintail Federal #3
Lea County, New Mexico

1. Drilling nipple to be so constructed that it can be removed without use of a welder through rotary table opening, with minimum I.D. equal to preventer bore.
2. Wear ring to be properly installed in head.
3. Blow out preventer and all fittings must be in good condition, 2000 psi WP minimum.
4. All fittings to be flanged.
5. Safety valve must be available on rig floor at all times with proper connections, valve to be full 2000 psi WP minimum.
6. All choke and fill lines to be securely anchored especially ends of choke lines.
7. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.
8. Kelly cock on Kelly.
9. Extension wrenches and hands wheels to be properly installed.
10. Blow out preventer control to be located as close to driller's position as feasible.
11. Blow out preventer closing equipment to include minimum 40-gallon accumulator, two independent sources of pump power on each closing unit installation all API specifications.

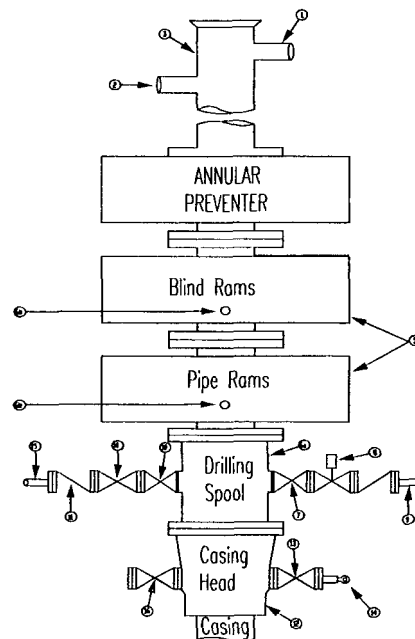
Mack Energy Corporation
Minimum Blowout Preventer Requirements
3000 psi Working Pressure
13 3/8 inch- 3 MWP
11 Inch - 3 MWP
EXHIBIT #10

Stack Requirements

| NO. | Items | Min. I.D | Min. Nominal |
|-----|--|----------|--------------|
| 1 | Flowline | | 2" |
| 2 | Fill up line | | 2" |
| 3 | Drilling nipple | | |
| 4 | Annular preventer | | |
| 5 | Two single or one dual hydraulically operated rams | | |
| 6a | Drilling spool with 2" min. kill line and 3" min choke line outlets | | 2" Choke |
| 6b | 2" min kill line and 3" min. choke line outlets in ram (Alternate to 6a above) | | |
| 7 | Valve Gate Plug | 3 1/8 | |
| 8 | Gate valve-power operated | 3 1/8 | |
| 9 | Line to choke manifold | | 3" |
| 10 | Valve Gate Plug | 2 1/16 | |
| 11 | Check valve | 2 1/16 | |
| 12 | Casing head | | |
| 13 | Valve Gate Plug | 1 13/16 | |
| 14 | Pressure gauge with needle valve | | |
| 15 | Kill line to rig mud pump manifold | | 2" |

OPTIONAL

| | | | |
|----|---------------|---------|--|
| 16 | Flanged Valve | 1 13/16 | |
|----|---------------|---------|--|



CONTRACTOR'S OPTION TO FURNISH.

1. All equipment and connections above bradenhead or casinghead. Working pressure of preventers to be 2000 psi minimum
2. Automatic accumulator (80 gallons, minimum) capable of closing BOP in 30 seconds or less and, holding them closed against full rated working pressure
3. BOP controls, to be located near drillers' position.
4. Kelly equipped with Kelly cock.
5. Inside blowout preventer or its equivalent on derrick floor at all times with proper threads to fit pipe being used
6. Kelly saver-sub equipped with rubber casing protector at all times
7. Plug type blowout preventer tester.
8. Extra set pipe rams to fit drill pipe in use on location at all times
9. Type RX ring gaskets in place of Type R

MEC TO FURNISH.

1. Bradenhead or casing head and side valves.
2. Wear bushing If required

10.

ME

GENERAL NOTES.

1. Deviations from this drawing may be made only with the express permission of MEC's Drilling Manager
2. All connections, valves, fittings, piping, etc., subject to well or pump pressure must be flanged (suitable clamp connections acceptable) and have minimum working pressure equal to rated working pressure of preventers up through choke valves must be full opening and suitable for high pressure mud service
3. Controls to be of standard design and each marked, showing opening and closing position
4. Chokes will be positioned so as not to hamper or delay changing of choke beans.

Replaceable parts for adjustable choke, or bean sizes, retainers, and choke wrenches to be conveniently located for immediate use.

5. All valves to be equipped with hand-wheels or handles ready for immediate use
6. Choke lines must be suitably anchored
7. Handwheels and extensions to be connected and ready for use
8. Valves adjacent to drilling spool to be kept open. Use outside valves except for emergency
9. All seamless steel control piping (2000 psi working pressure) to have flexible joints to avoid stress. Hoses will be permitted
10. Casinghead connections shall not be used except in case of emergency
11. Does not use kill line for routine fill up operations.

Mack Energy Corporation

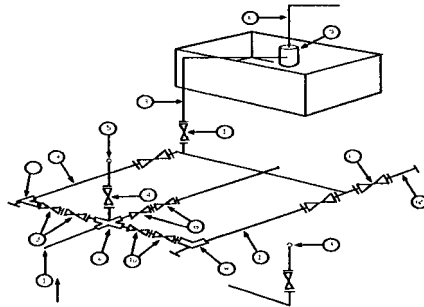
Exhibit #11

MINIMUM CHOKE MANIFOLD

3,000, 5,000, and 10,000 PSI Working Pressure

3M will be used

3 MWP - 5 MWP - 10 MWP



Mud Pit

Reserve Pit

* Location of separator optional

Below Substructure

Minimum requirements

| No. | | 3,000 MWP | | | 5,000 MWP | | | 10,000 MWP | | |
|-----|--|-----------|---------|--------|-----------|---------|--------|------------|---------|--------|
| | | I.D. | Nominal | Rating | I.D. | Nominal | Rating | I.D. | Nominal | Rating |
| 1 | Line from drilling Spool | | 3" | 3,000 | | 3" | 5,000 | | 3" | 10,000 |
| 2 | Cross 3" x 3" x 3" x 2" | | | 3,000 | | | 5,000 | | | |
| 2 | Cross 3" x 3" x 3" x 2" | | | | | | | | | 10,000 |
| 3 | Valve Gate Plug | 3 1/8 | | 3,000 | 3 1/8 | | 5,000 | 3 1/8 | | 10,000 |
| 4 | Valve Gate Plug | 1 13/16 | | 3,000 | 1 13/16 | | 5,000 | 1 13/16 | | 10,000 |
| 4a | Valves (1) | 2 1/16 | | 3,000 | 2 1/16 | | 5,000 | 2 1/16 | | 10,000 |
| 5 | Pressure Gauge | | | 3,000 | | | 5,000 | | | 10,000 |
| 6 | Valve Gate Plug | 3 1/8 | | 3,000 | 3 1/8 | | 5,000 | 3 1/8 | | 10,000 |
| 7 | Adjustable Choke (3) | 2" | | 3,000 | 2" | | 5,000 | 2" | | 10,000 |
| 8 | Adjustable Choke | 1" | | 3,000 | 1" | | 5,000 | 2" | | 10,000 |
| 9 | Line | | 3" | 3,000 | | 3" | 5,000 | | 3" | 10,000 |
| 10 | Line | | 2" | 3,000 | | 2" | 5,000 | | 2" | 10,000 |
| 11 | Valve Gate Plug | 3 1/8 | | 3,000 | 3 1/8 | | 5,000 | 3 1/8 | | 10,000 |
| 12 | Line | | 3" | 1,000 | | 3" | 1,000 | | 3" | 2,000 |
| 13 | Line | | 3" | 1,000 | | 3" | 1,000 | | 3" | 2,000 |
| 14 | Remote reading compound Standpipe pressure guage | | | 3,000 | | | 5,000 | | | 10,000 |
| 15 | Gas Separator | | 2' x 5' | | | 2' x 5' | | | 2' x 5' | |
| 16 | Line | | 4" | 1,000 | | 4" | 1,000 | | 4" | 2,000 |
| 17 | Valve Gate Plug | 3 1/8 | | 3,000 | 3 1/8 | | 5,000 | 3 1/8 | | 10,000 |

(1) - Only one required in Class 3M

(2) Gate valves only shall be used for Class 10 M

(3) Remote operated hydraulic choke required on 5,000 psi and 10,000 psi for drilling

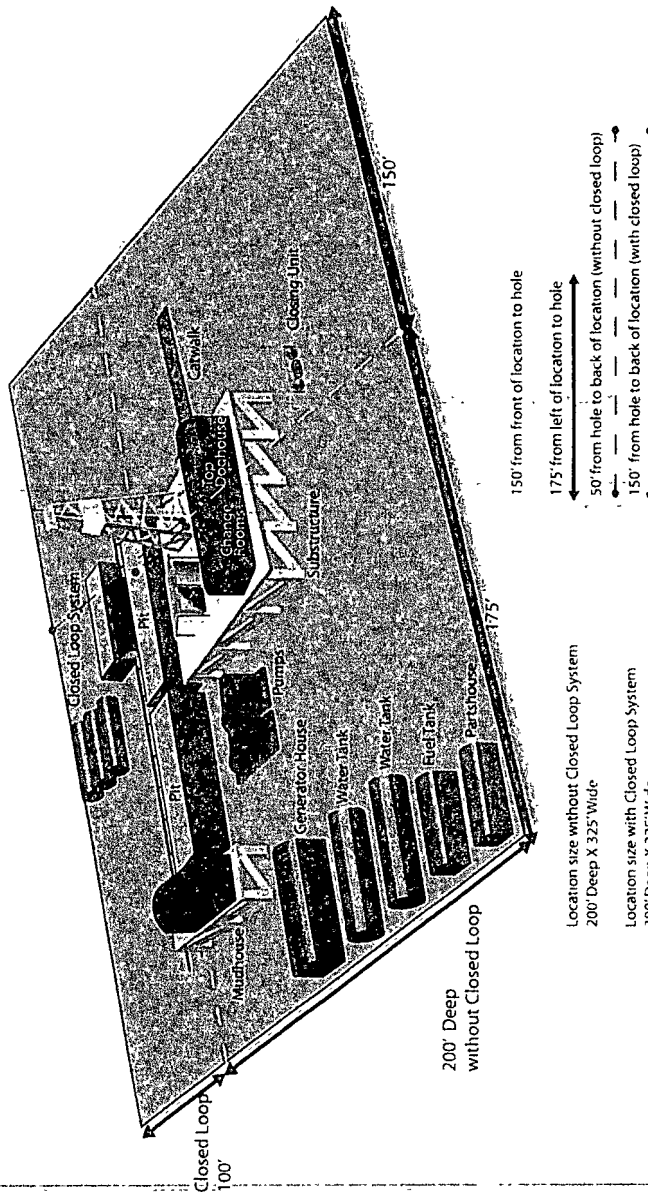
EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTION

- All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating
- All flanges shall be API 6B or 6BX and ring gaskets shall be API RX or BX Use only BX for 10 MWP
- All lines shall be securely anchored.
- Chokes shall be equipped with tungsten carbide seats and needles, and replacements shall be available
- alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpipe pressure gauge
- Line from drilling spool to choke manifold should be as straight as possible Lines downstream from chokes shall make turns by large bends or 90 degree bends using bull plugged tees

DRILLING LOCATION H2S SAFTY EQUIPMENT

Exhibit # 8

Location Layout



Silver Oak Drilling ~ 10 Bilco Road ~ Artesia, NM, 88210 ~ 575/746/4405
 info@silveroakdrilling.com ~ www.silveroakdrilling.com