OPER. OGRID NO. 13837
PROPERTY NO. 33541
POOL CODE 43322
EFF. DATE 3/11/04
API NO. 30-025-36631

Form 3160-3
(December 1990)

Form approved.
Budget Bureau No. 1004-0136
Expires: December 31, 1991

DEF

APPLICATIC

LEASE DESIGNATION AND SERIAL NO.
LC-058698B

IF INDIAN, ALLOTTEE OR TRIBE NAME

1a. TYPE OF WORK
DRILL ☒ DEEPEN ☐

b. TYPE OF WELL
OIL WELL ☒ Gas Well ☐ OTHER SINGLE ZONE ☐ MULTIPLE ZONE ☐

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
Rhino Federal #6

2. NAME OF OPERATOR
Mack Energy Corporation

9. API WELL NO.
30-025-36631

3. ADDRESS AND TELEPHONE NO.
P.O. Box 960, Artesia, NM 88211-0960 (505) 748-1288

10. FIELD AND POOL, OR WILDCAT
Maljamar GB SA

4. LOCATION OF WELL (Report location clearly and in accordance with any state requirement.*)
At surface
910 FNL & 1650 FWL
At proposed prod. zone
Unit C

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec 35-T17S-R32E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
5 miles southeast of Maljamar, NM

12. COUNTY OR PARISH: Lea
13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO OF ACRES IN LEASE TO THIS WELL
330	320	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
660	5100	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3927' GR
Knowles Controlled Water Basin

22. APPROX. DATE WORK WILL START*
2/26/2004

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2	J-55,13 3/8	48	300	Circ
12 1/4	J-55, 8 5/8	32	2400	Sufficient to Circ
7 7/8	J-55, 5 1/2	17	5100	Sufficient to Circ

Mack Energy proposes to drill to a depth sufficient to test the Grayburg/San Andres Formation for oil gas. If productive, 5 1/2" casing will be cemented. If non-productive, plugging and abandoning in a manner consistent with federal regulation. Specific programs as per Onshore Oil and Gas Order #1 are outlined in the following attachments:

1. Surveys
   Exhibit #1- Well Location Plat
   Exhibit #2- Vicinity Map
   Exhibit #3- Location Verification Map
2. Drilling Program
3. Surface Use & Operating Plan
   Exhibit #4- One Mile Radius Map
   Exhibit #5- Production Facilities Layout
   Exhibit #6- Location Layout
4. Certification
5. Hydrogen Sulfide Drilling Operation Plan
   Exhibit #7- H2S Warning Sign
   Exhibit #8- H2S Safety Equipment
6. Blowout Preventers
   Exhibit #9- BOPE Schematic
   Exhibit #10- Blowout Preventer Requirements
   Exhibit #11- Choke Manifold
7. Responsibility Statement

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

RECEIVED
MAR 2004
Hobbs
OCD

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.
SIGNED Jerry W. Sherrell TITLE Production Clerk DATE 1/26/2004

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY /S/ JOE G. LARA ACTING TITLE FIELD MANAGER DATE MAR 0 8 2004

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes 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.

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-025-36631	43329	Maljamar;Grayburg-San Andres

Property Code	Property Name	Well Number
33541	RHINO FEDERAL	6

OGRID No.	Operator Name	Elevation
013837	MACK ENERGY CORPORATION	3927'

Surface Location

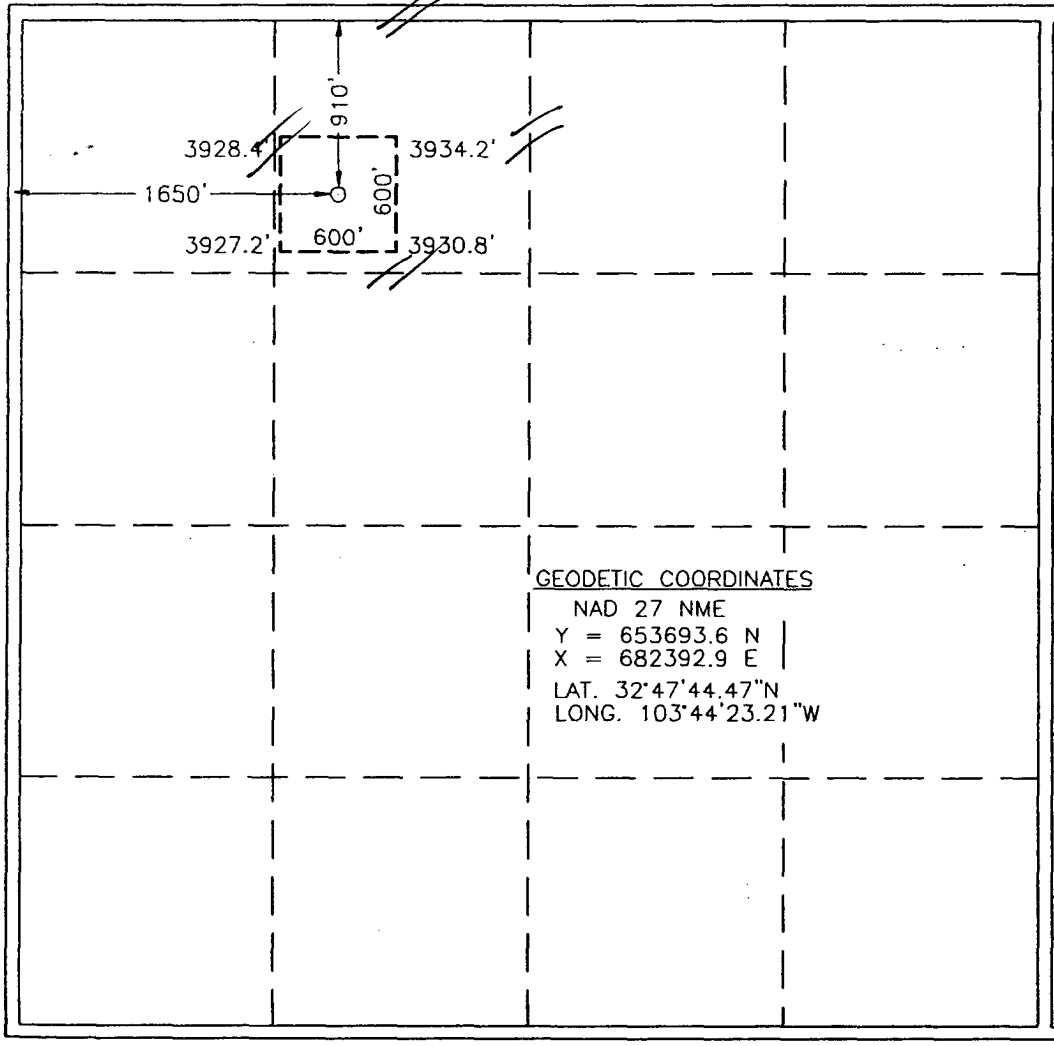
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	35	17-S	32-E		910	NORTH	1650	WEST	LEA

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	Joint or Infill	Consolidation Code	Order No.
40			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



GEODETIC COORDINATES
NAD 27 NME
Y = 653693.6 N
X = 682392.9 E
LAT. 32°47'44.47"N
LONG. 103°44'23.21"W

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Jerry W. Sherrell
Signature
Jerry W. Sherrell
Printed Name
Production Clerk
Title
1/27/2004
Date

SURVEYOR CERTIFICATION

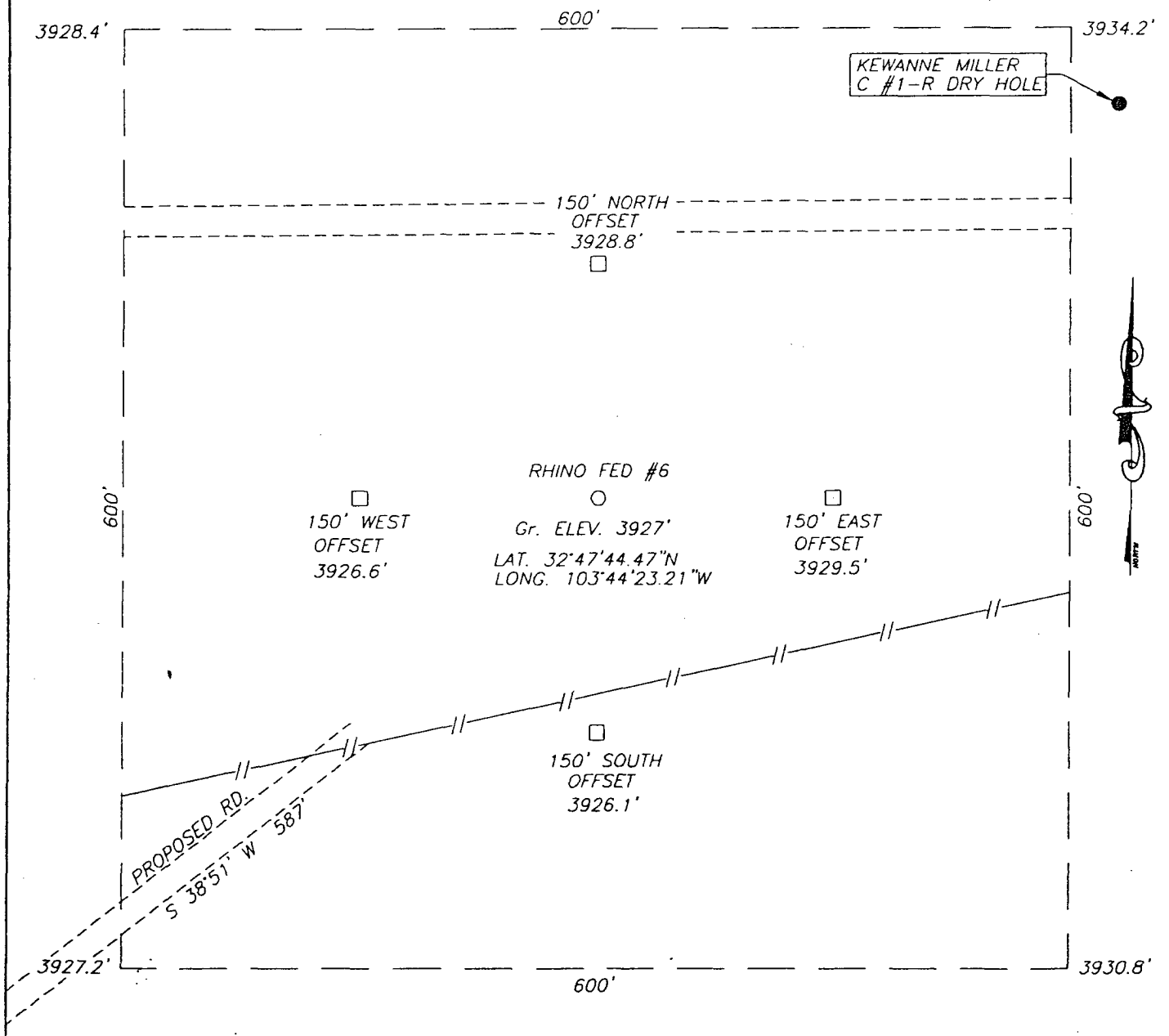
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

January 14, 2004
Date Surveyed A.W.B
Signature & Seal of Professional Surveyor

Gary B. Eidson 1/23/04
03.11.1458
Certificate No. GARY EIDSON 12641

SECTION 35, TOWNSHIP 17 SOUTH, RANGE 32 EAST, N.M.P.M.,

LEA COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

WESTBOUND ON STATE HWY #529 TURN RIGHT 0.11 MILES PAST MILE MARKER #9. TURN RIGHT ON CALICHE ROAD AND GO 0.47 MILES NORTH AND 0.11 MILES NORTHWEST TO A "T" IN THE ROAD. TURN LT. AND GO SOUTHWEST 0.17 MILES TO AN EXISTING WELL. FROM THE SOUTHWEST CORNER OF WELL FOLLOW PIPELINE TRAIL ROAD SOUTHWEST 0.26 MILES TO A POINT 300'± SOUTH OF THIS LOCATION.

100 0 100 200 FEET

Scale:1"=100'

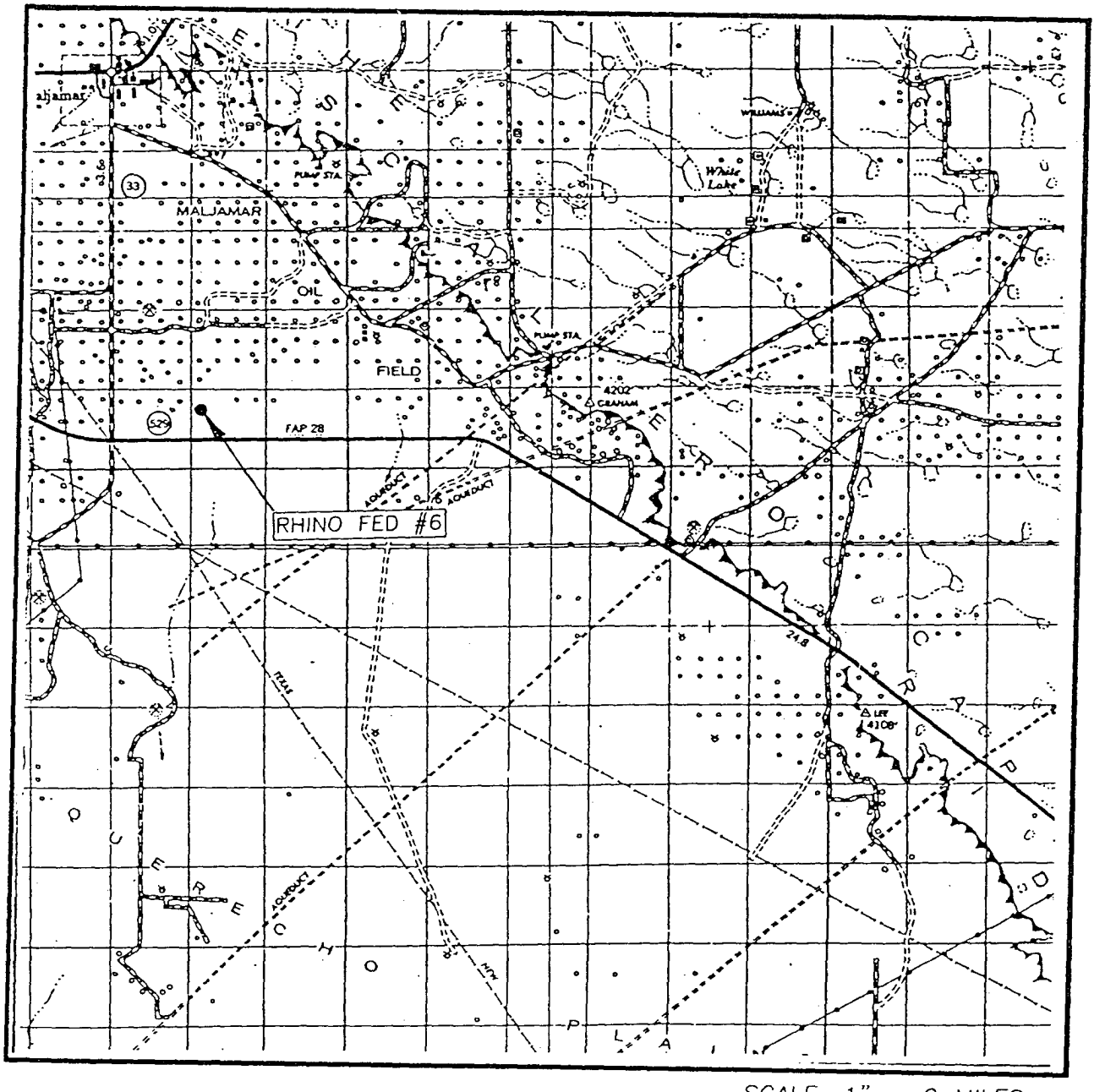
MACK ENERGY CORPORATION

THE RHINO FEDERAL #6 LOCATED
910' FROM THE NORTH LINE AND 1650' FROM THE WEST
LINE OF SECTION 35, TOWNSHIP 17 SOUTH, RANGE 32 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO

Survey Date: 01/14/04		Sheet 1 of 1 Sheets	
W.O. Number: 03.11.1459		DRAWN BY: A.W.B	
Date:01/21/04	DISK: CD#10	MACK #1459	Scale:1"=100'

JOHN WEST SURVEYING COMPANY
412 N. DAL PASO – HOBBS, NEW MEXICO – 505-393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 35 TWP. 17-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 910' FNL & 1650' FWL

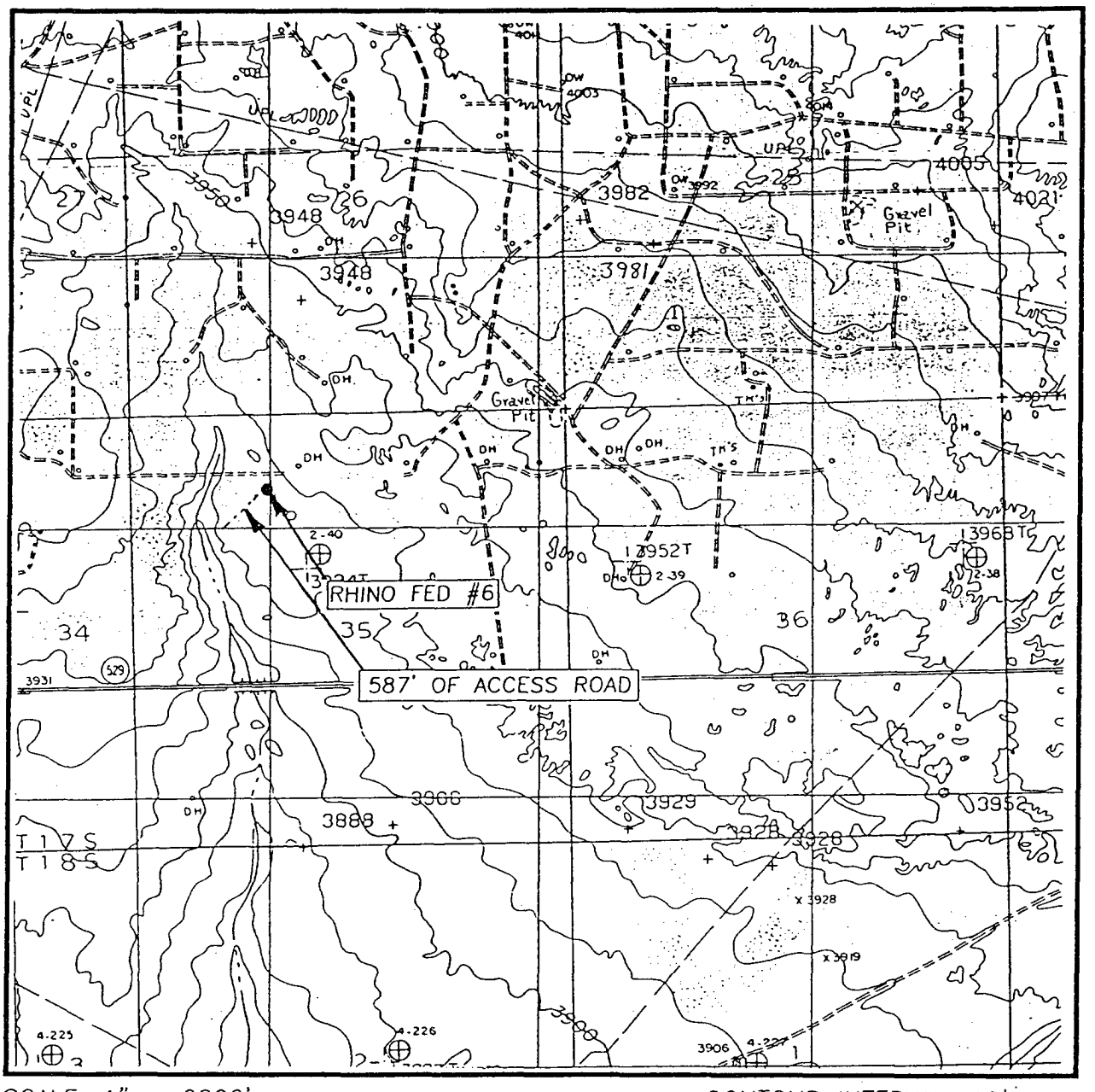
ELEVATION 3927'

OPERATOR MACK ENERGY CORPORATION

LEASE RHINO FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
DOG LAKE, N.M.
SUP: 5'

SEC. 35 TWP. 17-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 910' FNL & 1650' FWL

ELEVATION 3927'

OPERATOR MACK ENERGY CORPORATION

LEASE RHINO FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
DOG LAKE, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Attached to Form 3160-3
Mack Energy Corporation
Rhino Federal #6
910 FNL & 1650 FWL
NE/4 NW/4, Sec 35 T17S R32E
Lea County, NM

DRILLING PROGRAM

1. Geologic Name of Surface Formation

Quaternary

2. Estimated Tops of Important Geologic Markers:

Quaternary	Surface
Top of Salt	800'
Base of Salt	2350'
Yates	2600'
Queen	3650'
Grayburg	4100'
San Andres	4450'

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

Water Sand	150'	Fresh Water
Grayburg	4100'	Oil/Gas
San Andres	4450'	Oil/Gas

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Setting 13 3/8" casing to 300' and circulating cement back to surface will protect the surface fresh water sand. Salt Section will be protected by setting 8 5/8" casing to 2400' and circulating cement back to surface. Any shallower zones above TD, which contain commercial quantities of oil and/or gas, will have cement circulated across them by cementing 5 1/2" production casing, which will be run at TD.

4. Casing Program:

Hole Size	Interval	OD Casing	Weight, Grade, Jt, Cond., Type
17 ½"	0-300'	13 3/8"	48#, H-40, ST&C, New, R-3
12 ¼"	0-2400'	8 5/8"	32#, J-55, ST&C, New, R-3
7 7/8"	0-TD	5 1/2"	17#, J-55, LT&C, New, R-3

5. Cement Program:

13 3/8" Surface Casing: Circulate to Surface with Class C w/2% CaCl2.

8 5/8 Intermiate Casing: Circulate to Surface with Class C W/2% CaCl2.

5 1/2" Production Casing: Cement Casing with Class C w/6# Salt & 2/10 of 1% CFR-3 per sack. We will run a hole caliper and run sufficient cement to circulate to surface.

6. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #9 will consist of a double ram-type (The blowout preventer equipment (BOP) shown in Exhibit #9 will consist of a double ram-type (2000 psi WP) preventer. 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 BOP will be nippled up on the 13 3/8" surface casing and tested to 2000# by a 3rd party. The BOP will then be nippled up on the 8 5/8" intermediate casing and tested by a 3rd party to 2000 psi and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 2000 psi before drilling out of intermediate 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 2000 psi WP rating.clude a Kelly cock and floor safety valve and choke lines and choke manifold (Exhibit #11) with 2000 psi WP rating.

7. Types and Characteristics of the Proposed Mud System:

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

DEPTH	TYPE	WEIGHT	VISCOSITY	WATERLOSS
0-1100'	Fresh Water	8.5	28	N.C.
1100-2400'	Brine	10	30	N.C.
2400'-TD	Cut Brine	9.1	29	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 and will be ran 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 after the 5 1/2" production casing has been cemented at TD based on drill shows and log evaluation.

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

No abnormal pressures or temperatures are anticipated. The estimated bottom hole at TD is 110 degrees and estimated maximum bottom hole pressure is 2300 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 February 26, 2004. Once commenced, the drilling operation should be finished in approximately 10 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.

Attached to Form 3160-3
Mack Energy Corporation
Rhino Federal #6
910 FNL & 1650 FWL
NE/4 NW/4, Sec 35 T17S R32E
Lea County, NM

SURFACE USE AND OPERATING PLAN

1. Existing & Proposed Access Roads

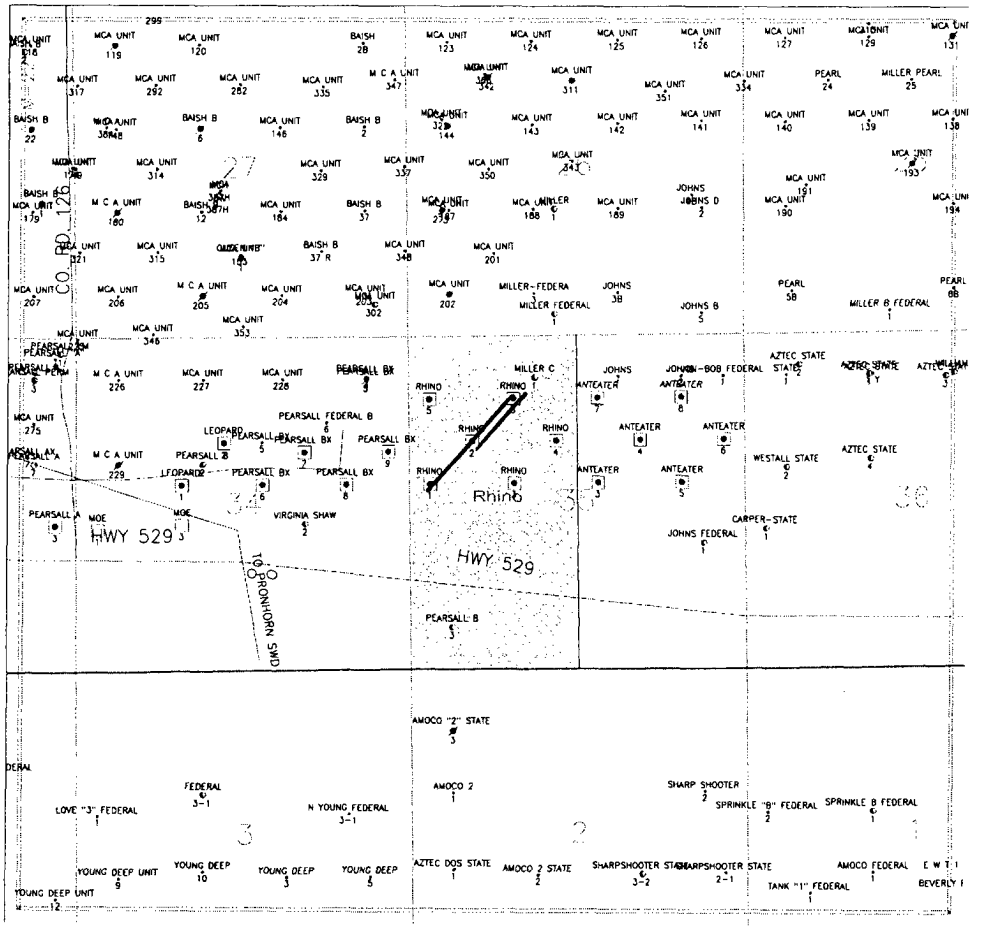
A. The well site and elevation plat for the proposed well is shown in Exhibit #1. John West Engineering, Hobbs, NM, staked the well.

B. All roads to the location are shown in Exhibit below. The existing lease roads are illustrated in Blue and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling well will be done where necessary.

C. Directions to Location: From intersection of Hwy 529 and County road 33, turn north 2/10 mile, turn east, go 1.3 miles, turn northeast to location.

D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

Exhibit #4



Access Road Flowline

Attached to Form 3160-3
Mack Energy Corporation
Rhino Federal #6
910 FNL & 1650 FWL
NE/4 NW/4, Sec 35 T17S R32E
Lea County, NM

2. Proposed Access Road:

Exhibit #3 shows 587' of new access road to be constructed. The road will be constructed as follows:

A. The Maximum width of the running surface will be 14'. The road will be crowned and ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.

B. The average grade will be less than 1%.

C. No turnouts are planned.

D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.

E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit or reserve pit area.

F. The proposed access road as shown in Exhibit #3 has been centerline flagged by John West Engineering, Hobbs, New Mexico.

3. Location of Existing Wells & Proposed flow lines for New Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well. As shown on this plat there are numerous wells producing from the Grayburg formation. Proposed flow lines, will follow an archaeologically approved route to the Rhino Tank Battery (Exhibit #4).

4. Location of Existing and/or Proposed Facilities:

A. Mack Energy Corporation does not operate a production facility on this lease.

B. If the well is productive, contemplated facilities will be as follows:

1) Grayburg Completion: Will be sent to the Rhino Federal Tank Battery. The Facility is shown in Exhibit #5.

2) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.

3) Any additional caliche will be obtained from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.

4) It will be necessary to run electric power if this well is productive. Power will be run by CVE and they will send in a separate plan for power.

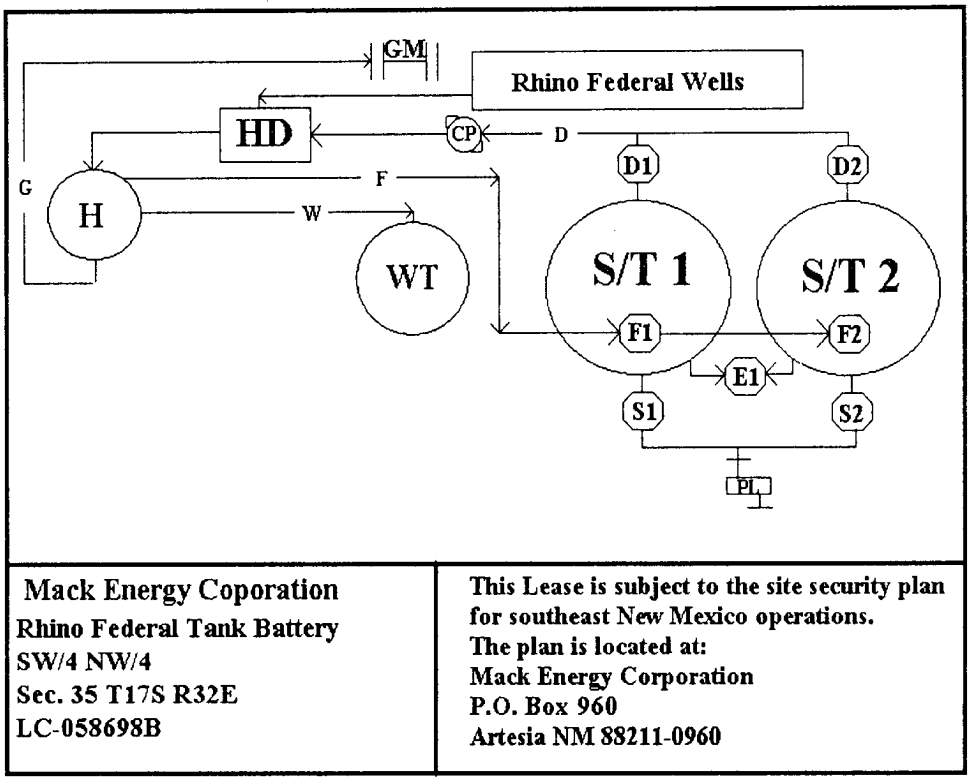


Exhibit #5

A. If the well is productive, rehabilitation plans are as follows:

1) The reserve pit will be back filled after the contents of the pit are dry (within 120 days after the well is completed).

2) Topsoil removed from the drill site will be used to recontour the pit area to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

5. Location and Type of Water Supply:

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown in Exhibit #4. If a commercial fresh water source is nearby, fasline may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

Attached to Form 3160-3
Mack Energy Corporation
Rhino Federal #6
910 FNL & 1650 FWL
NE/4 NW/4, Sec 35 T17S R32E
Lea County, NM

6. Source of Construction Materials:

All caliche required for construction of the drill pad and proposed new access road (approximately 2500 cubic yards) will be obtained from a BLM approved caliche pit or the reserve pit.

7. Methods of Handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.

B. Drilling fluids will be contained in a lined working pit. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit, approximately 100' X 200' X 10' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve pit will be lined 100' X 200' X 10'. The reserve pit and working pit will be lined (9-mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water.

C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending on the rates). After the well is permanently placed on production, produced water will be collected in tanks (fiberglass) until pumped to an approved disposal system; produced oil will be collected in steel tanks until sold.

D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry enough to breakout and backfill and reseeded as per BLM specifications as weather permits. In the event of a dry hole only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

Attached to Form 3160-3
Mack Energy Corporation
Rhino Federal #6
910 FNL & 1650 FWL
NE/4 NW/4, Sec 35 T17S R32E
Lea County, NM

9. Well Site Layout:

A. The drill pad layout, with elevations staked by John West Engineering, is shown in Exhibit #6. Dimensions of the pad and pits are shown. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level no major cuts will be required.

B. Diagram below shows the proposed orientation of reserve pit, working pit. There is a possibility that the pits will be moved around depending on Caliche in the area. No permanent living facilities are planned, but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

C. The reserve pit will be lined with high quality plastic sheeting (5-7 mil thickness).

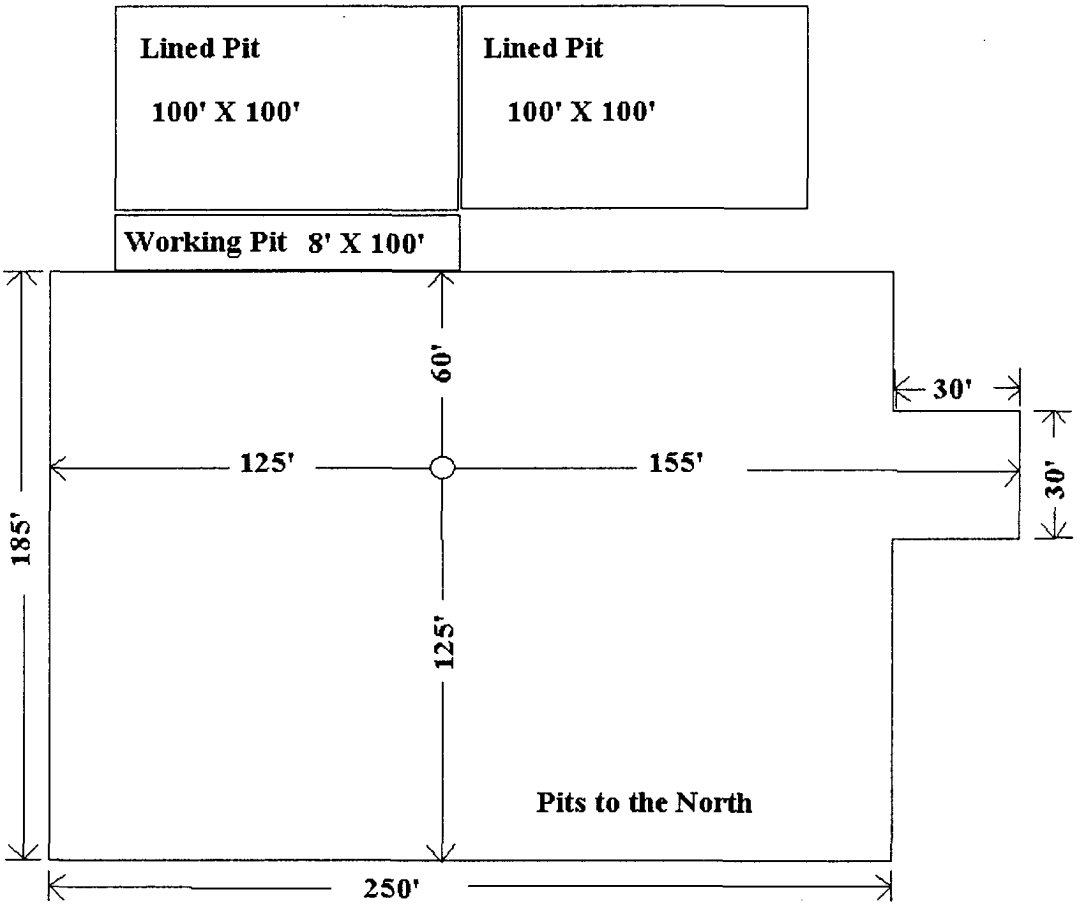


Exhibit #6

Attached to Form 3160-3
Mack Energy Corporation
Rhino Federal #6
910 FNL & 1650 FWL
NE/4 NW/4, Sec 35 T17S R32E
Lea County, NM

10. Plans for Restoration of the Surface:

A. Upon completion of the proposed operations, the pit area, after allowing drying, will be broken out and leveled. The original topsoil will be returned to the pit area, which will be leveled and contoured to as nearly the original topography as possible.

B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

C. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time that the rig is removed, the reserve pit will be fenced on the rig (fourth) side to prevent livestock from being entrapped. The fencing will remain in place until the pit area is cleaned up and leveled. No oil will be left on the surface of the fluid in the pit.

D. Upon completion of proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. Any additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area to its original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

The well site and lease is located entirely on Federal surface. We have notified the surface lessee of the impending operations. According to BLM the leasee is Caswell Ranches, 1702 Gillham Dr. Brownsfield, TX 79316.

12. Other Information:

A. The area around the well site is grassland and the topsoil is sandy. The vegetation is native scrub grass with sagebrush.

B. There is no permanent or live water in the immediate area.

C. A Cultural Resources Examination has been requested and will be forwarded to your office in the near future.

13. Lessee's and Operator's Representative:

The Mack Energy Corporation representative responsible for assuring compliance with the surface use plan is as follows:

Matt J. Brewer
Mack Energy Corporation
P.O. Box 960
Artesia, NM 88211-0960
Phone (505) 748-1288 (office)

Attached to Form 3160-3
Mack Energy Corporation
Rhino Federal #6
910 FNL & 1650 FWL
NE/4 NW/4, Sec 35 T17S R32E
Lea County, NM

CERTIFICATION

I hereby certify that I, or person under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Mack Energy Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 1-27-2004 Signed: Jerry W. Sherrell
Jerry W. Sherrell

Mack Energy Corporation

Hydrogen Sulfide Drilling Operation Plan

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards an characteristics of hydrogen sulfide (H2S)
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H2S detectors alarms warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H2S on metal components. If high tensile tubular are to be used, personnel well be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H2S Drilling Operations Plan and Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonable expected to contain H2S.

1. **Well Control Equipment:**

   A. Flare line.

   B. Choke manifold.

   C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

   D. Auxiliary equipment may include if applicable: annular preventer & rotating head.

2. **Protective equipment for essential personnel:**

   A. Mark II Survive air 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. **H2S detection and monitoring equipment:**

   A. 1 portable H2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 PPM are reached.

4. **Visual warning systems:**

   A. Wind direction indicators as shown on well site diagram (Exhibit #8).

   B. Caution/Danger signs (Exhibit #7) shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. **Mud program:**

   A. The mud program has been designed to minimize the volume of H2S circulated to surface. Proper mud weight, safe drilling practices, and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

6. **Metallurgy:**

   A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.

   B. All elastomers used for packing and seals shall be H2S trim.

7. **Communication:**

   A. Radio communications in company vehicles including cellular telephone and 2-way radio.

   B. Land line (telephone) communication at Office.

8. **Well testing:**

   A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill-stem-testing operations conducted in an H2S environment will use the closed chamber method of testing.

   B. There will be no drill stem testing.

EXHIBIT #7

WARNING

YOU ARE ENTERING AN H2S

AUTHORIZED PERSONNEL ONLY

1. BEARDS OR CONTACT LENSES NOT ALLOWED

2. HARD HATS REQUIRED

3. SMOKING IN DESIGNATED AREAS ONLY

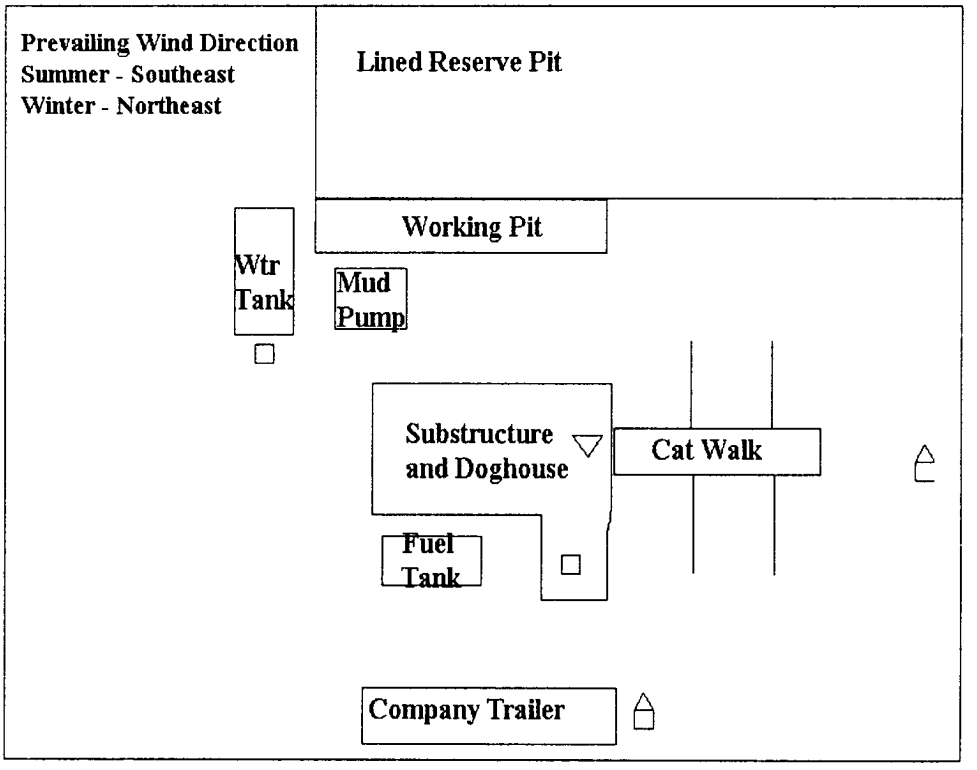
4. BE WIND CONSCIOUS AT ALL TIMES

5. CHECK WITH MACK ENERGY FOREMAN AT OFFICE

MACK ENERGY CORPORATION

1-505-748-1288

DRILLING LOCATION H2S SAFTY EQUIPMENT
Exhibit # 8



▽ H2S Monitors with alarms at the bell nipple

□ Wind Direction Indicators

△ Safe Briefing areas with caution signs and breathing equipment min 150 feet from

Attachment to Exhibit #9
NOTES REGARDING THE BLOWOUT PREVENTERS
Rhino Federal #6
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.

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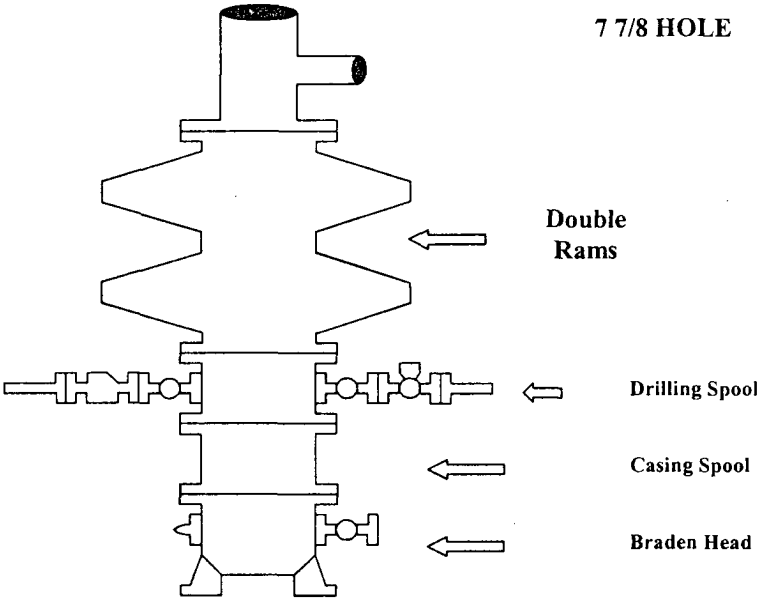
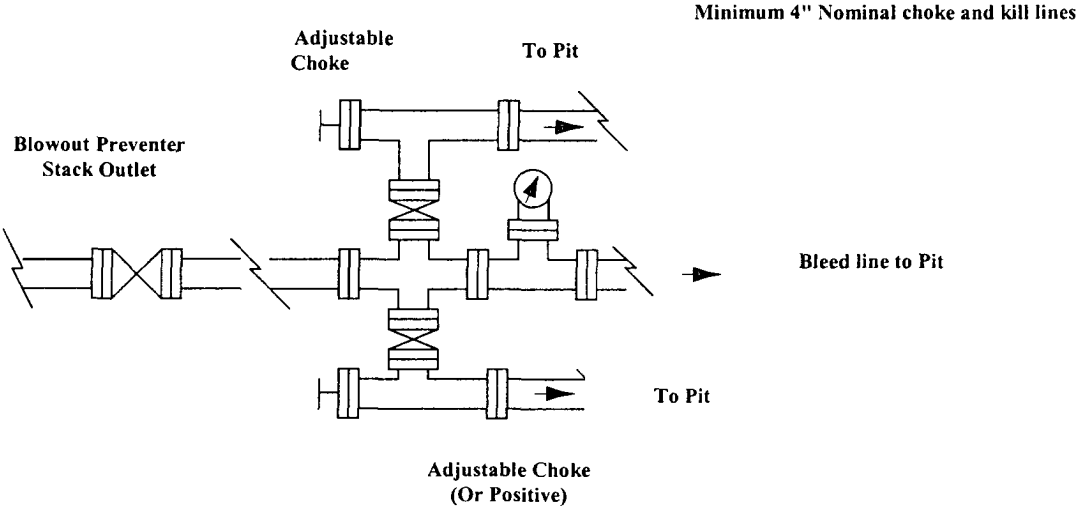
Exhibit #9
BOPE Schematic



Choke Manifold Requirement (2000 psi WP)
No Annular Required



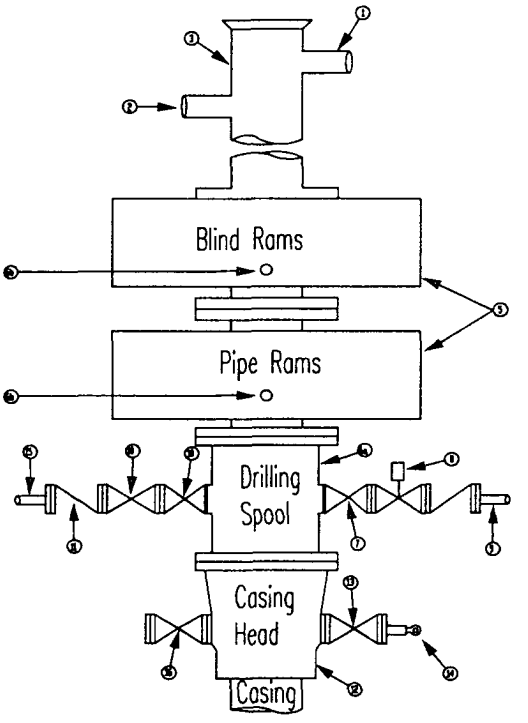
Mack Energy Corporation
Minimum Blowout Preventer Requirements
2000 psi Working Pressure
2 MWP
EXHIBIT #10

Stack Requirements

NO.	Items	Min. I.D.	Min. Nominal
1	Flow line		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 Braden head or casing head. Working pressure of preventers to be 2000-psi minimum.
2. Automatic accumulator (80 gallon, 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:

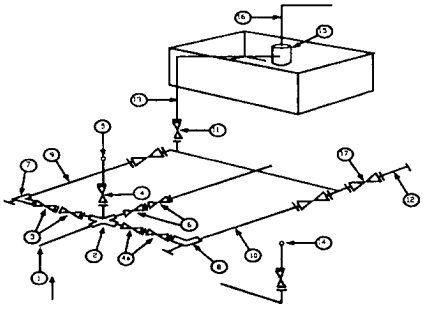
1. Braden head or casing head and side valves.
2. Wear bushing. If required.
3.

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. Hand wheels 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. Casing head connections shall not be used except in case of emergency.
11. Do not use kill line for routine fill up operations.

Mack Energy Corporation

Exhibit #11
MIMIMUM CHOKE MANIFOLD
3,000, 5,000, and 10,000-PSI Working Pressure
2 M will be used or greater
3 MWP - 5 MWP - 10 MWP



Mud Pit

Reserve Pit

*** Location of separator optional**

Below Substructure

Mimimum requirements

		3,000 MWP			5,000 MWP			10,000 MWP		
No.		**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 quage			3,000			5,000			10,000
15	Gas Separator		2' x5'			2' x5'			2' x5'	
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

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

United State Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Resource Area
P.O. Drawer 1857
Roswell, New Mexico 88202-1857

Statement Accepting Responsibility for Operations

Operator name:		Mack Energy Corporation
Street or box	:	P.O. Box 960
City, State	:	Artesia, NM
Zip Code,	:	88211-0960

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.: NMLC-058698B Rhino Federal #6

Legal Description of land: Sec 35-T17S-R32E NE/4 NW/4

Formation(s) (if applicable): Maljamar GB SA

Bond Coverage: (State if individually bonded or another's bond)
Individually Bonded

BLM Bond File No.: 58 59 88

Authorized Signature: Jerry W. Sherrell
Jerry W. Sherrell

Title: Production Clerk

Date: 1/26/2004