

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--|-------------------------------|
| 1. Operator Name and Address MACK ENERGY CORP PO BOX 960 ARTESIA, NM 882110960 | | 2. OGRID Number 13837 |
| 4. Property Code 30476 | | 3. API Number 30-015-34569 |
| 5. Property Name COYOTE STATE | | 6. Well No. 012 |

7. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| J | 36 | 17S | 31E | J | 1650 | S | 1650 | E | EDDY |

8. Pool Information

| | |
|------------------------------|-------|
| MALJAMAR,GRAYBURG-SAN ANDRES | 43329 |
|------------------------------|-------|

Additional Well Information

| | | | | |
|--|----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3829 |
| 14. Multiple N | 15. Proposed Depth 5000 | 16. Formation San Andres | 17. Contractor | 18. Spud Date 1/30/2006 |
| Depth to Ground water 118 | | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 3000 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input checked="" type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 12.25 | 8.625 | 24 | 875 | 650 | 0 |
| Prod | 7.875 | 5.5 | 17 | 5000 | 1200 | 0 |

Casing/Cement Program: Additional Comments

Mack Energy proposes to drill a 12 1/4 hole to 800', run 8 5/8 casing and cement. Drill a 7 7/8 hole to 5000' test San Andres formation, run 5 1/2 casing and cement. Note: On production string a fluid caliper will be run and will figure cement with 25% excess, attempt to circulate.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| DoubleRam | 2000 | 2000 | |

| | | |
|---|----------------------------------|---------------------------------|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> . | OIL CONSERVATION DIVISION | |
| Printed Name: Electronically filed by Jerry Sherrell | Approved By: Bryan Arrant | |
| Title: Production Clerk | Title: Geologist | |
| Email Address: jerrys@mackenergycorp.com | Approved Date: 1/30/2006 | Expiration Date: 1/30/2007 |
| Date: 1/26/2006 | Phone: 505-748-1288 | Conditions of Approval Attached |

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0720

District II
 1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

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Energy, Minerals and Natural Resources
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Form C-102
 Permit 22153

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|--------------------------------------|--|
| 1. API Number 30-015-34569 | 2. Pool Code 43329 | 3. Pool Name MALJAMAR;GRAYBURG-SAN ANDRES |
| 4. Property Code 30476 | 5. Property Name COYOTE STATE | 6. Well No. 012 |
| 7. OGRID No. 13837 | 8. Operator Name MACK ENERGY CORP | 9. Elevation 3829 |

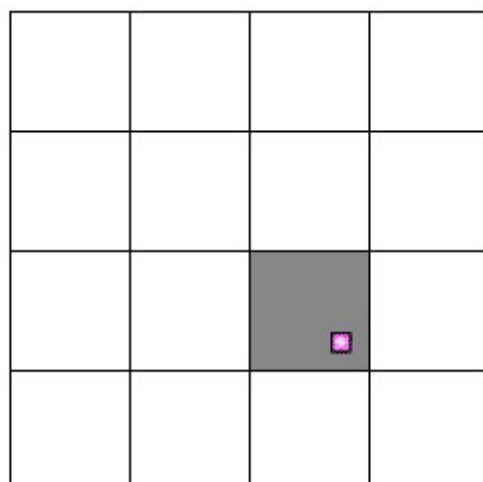
10. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
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11. Bottom Hole Location If Different From Surface

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|------------------------------|---------|---------------------|-------|------------------------|-----------|---------------|-----------|----------|--------|
| 12. Dedicated Acres 40.00 | | 13. Joint or Infill | | 14. Consolidation Code | | 15. Order No. | | | |

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



OPERATOR CERTIFICATION

I hereby certify that the information contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Jerry Sherrell
 Title: Production Clerk
 Date: 1/26/2006

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 supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Gary Eidson
 Date of Survey: 1/25/2006
 Certificate Number: 12641

Permit Comments

Operator: MACK ENERGY CORP , 13837

Well: COYOTE STATE #012

API: 30-015-34569

| Created By | Comment | Comment Date |
|------------|---|--------------|
| JWSHERRELL | H2S concentrations of wells in this area from surface to TD are low enough that a contingency plan is not required. | 1/25/2006 |

Permit Conditions of Approval

Operator: MACK ENERGY CORP , 13837

Well: COYOTE STATE #012

API: 30-015-34569

| OCD Reviewer | Condition |
|-----------------|---|
| BArrant | Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines |
| BArrant | As stated on APD, operator to drill surface hole w/ fresh water mud. |
| BArrant | Operator to set surface casing in anhydrite section of Rustler. Please review offset logs/geology of area for more information. |