

| | | | | | |
|---------------------|----------|-------------|--------------------|----------|---------------------------|
| 05/03/13 DATE IN | SUSPENSE | ENGINEER PG | LOGGED IN 05/07/13 | TYPE DHC | PPRG/312759656 APP NO. |
|---------------------|----------|-------------|--------------------|----------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



30-025-40652
Utah State #1
Mack Energy

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.

Deana Weaver
Print or Type Name

Deana Weaver
Signature

Production Clerk
Title

5.1.13
Date

dweaver@mec.com
e-mail Address

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

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised June 10, 2003

APPLICATION TYPE

☒ Single Well

☒ Establish Pre-Approved Pools

EXISTING WELLBORE

☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Mack Energy Corporation

P.O. Box 960, Artesia, NM 88211-0960

Operator

Address

Utah State

K-13-18S-36E

Lea, NM

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 013837 Property Code 39300 API No. 30-025-40652 Lease Type: ☐ Federal ☒ State ☐ Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|--|--------------------------------------|------------------------------------|-----------------------------|
| Pool Name | Arkansas Junction; San Andres | Arkansas Junction; Bone Spring | |
| Pool Code | 2500 | 2340 | |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 4987-5250' | 6380-8416' | |
| 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) | 36.6 | 36.8 | |
| Producing, Shut-In or New Zone | Producing | Shut-In | |
| 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: 3/11/2013 Rates: 28/62/439' | Date: 2/8/2013 Rates: 60/62/295 | 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 % % | Oil Gas % % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
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-102 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 Deana Weaver TITLE Production Clerk DATE 5.1.13

TYPE OR PRINT NAME Deana Weaver TELEPHONE NO. (575) 748-1288

E-MAIL ADDRESS dweaver@mec.com

MEMO

DATE: May 1, 2013

TO: NMOCD

FROM: Travis K. Lanning

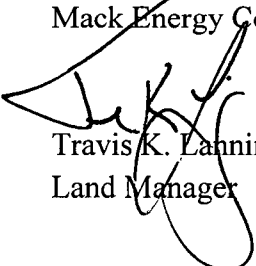
RE: Utah State No. 1
VB-1421
T18S, R36E, NMPM
Section 13: NE4, SW4,
Lea County, New Mexico

Mack Energy Corporation respectfully requests approval to downhole commingle production from the San Andres and Bone Spring formations in our Utah State No. 1.

All formations have identical working and revenue interests.

Please do not hesitate to contact me should you require any further information.

Sincerely,
Mack Energy Corporation



Travis K. Lanning
Land Manager

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|---|--|
| ¹ API Number 30-025-40652 | ² Pool Code 2340 | ³ Pool Name Arkansas Junction; Bone Spring |
| ⁴ Property Code 39300 | ⁵ Property Name UTAH STATE | |
| ⁷ OGRID No. 13837 | ⁸ Operator Name MACK ENERGY CORPORATION | ⁶ Well Number 1 |
| | | ⁹ Elevation 3769.3 |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| K | 13 | 18 S | 36 E | | 2310 | SOUTH | 2310 | WEST | LEA |

¹¹ 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 |
|-------------------------------------|-------------------------------|----------------------------------|-------|-------------------------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| ¹² Dedicated Acres 40 | 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.

| | |
|---|--|
| <p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.</p> <p>UTAH STATE #1 ELEV. = 3769.3' LAT. = 32.7467278°N (NAD27) LONG. = 103.3084731°W</p> <p>SURFACE LOCATION</p> <p>2310'</p> <p>2310'</p> <p>500' 42' 12" E 2639.90 FT</p> <p>500' 42' 12" E 2639.90 FT</p> <p>500' 41' 20" W 2647.81 FT</p> <p>N89°21'02"E 2645.39 FT</p> <p>N89°32'02"E 2647.55 FT</p> | <p>¹⁷ 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 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.</p> <p>Deana Weaver 5.13 Signature Date</p> <p>Deana Weaver Printed Name</p> <p>dweaver@mec.com E-mail Address</p> <p>¹⁸ 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.</p> <p>JUNE 20, 2012 Date of Survey</p> <p>Signature and Seal of Professional Surveyor Certificate Number: J. JARAMILLA, PLS 8797 SURVEY NO. 1158</p> |
|---|--|

District I
1625 N. French Dr., Hobbs, NM 88240
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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|---|---|
| ¹ API Number 30-025-40652 | ² Pool Code 2500 | ³ Pool Name Arkansas Junction; San Andres |
| ⁴ Property Code 39300 | ⁵ Property Name UTAH STATE | |
| ⁷ OGRID No. 13837 | ⁸ Operator Name MACK ENERGY CORPORATION | ⁶ Well Number 1 |
| | | ⁹ Elevation 3769.3 |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
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¹¹ 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 |
|-------------------------------------|-------------------------------|----------------------------------|-------|-------------------------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| ¹² Dedicated Acres 40 | 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.

| | | | | | |
|--|--|--|--|---|--|
| <p>NW CORNER SEC. 13 LAT. = 32.7548862°N LONG. = 103.3160109°W</p> <p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.</p> | | <p>UTAH STATE #1 ELEV. = 3769.3' LAT. = 32.7467278°N (NAD27) LONG. = 103.3084731°W</p> <p>SURFACE LOCATION</p> | | <p>E/4 CORNER SEC. 13 LAT. = 32.7476549°N LONG. = 103.2987756°W</p> | |
| <p>SW CORNER SEC. 13 LAT. = 32.7403775°N LONG. = 103.3159657°W</p> | | <p>S/4 CORNER SEC. 13 LAT. = 32.7403900°N LONG. = 103.3073646°W</p> | | <p>SE CORNER SEC. 13 LAT. = 32.7403787°N LONG. = 103.2987565°W</p> | |
| <p>N89°21'02"E 2645.39 FT</p> | | <p>N89°32'02"E 2647.55 FT</p> | | <p>N00°41'20"W 2647.81 FT</p> | |

¹⁷ 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 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.

Deana Weaver 5.1.13
Signature Date

Deana Weaver
Printed Name

dweaver@mec.com
E-mail Address

¹⁸ 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.

JUNE 20, 2012
Date of Survey

[Signature]
Signature and Seal of Professional Surveyor

Certificate Number FJ JARAMILLO PLS 12797
REGISTERED LAND SURVEYOR NO. 1158



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

May 1, 2013

Commissioner of Public Lands
PO Box 1148
Santa Fe, NM 87504-1148

VIA CERTIFIED MAIL 7012 1010 0002 5887 4352
RETURN RECEIPT REQUESTED

Dear Sir:

This letter will serve as a notice that Mack Energy Corporation has requested administrative approval from the NMOCD to Down hole Commingle production from the Arkansas Junction; San Andres and Arkansas Junction; Bone Spring in the Utah State #1 located in Sec. 13 T18S R36E, 2310 FSL & 2310 FWL, Lea County, New Mexico.

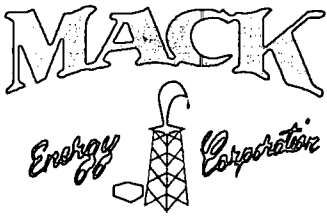
Should you have any objection, it must be filed in writing within twenty (20) days from the date of this notice. The Division Director may approve the DHC application if no objection has been made within the 20 days after the application has been received.

Sincerely,

Deana Weaver
Production Clerk
dweaver@mec.com

DW/

Enclosures



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

May 1, 2013

Oil Conservation Division
Attn: Phillip R Goetze
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: Down hole Commingling, and measurement of
Hydrocarbon Production for:
Utah State #1
Section 13, T18S, R36E
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 proposes to commingle Arkansas Junction; San Andres and Arkansas Junction; Bone Spring production in the Utah State #1(State of NM Lease VB-1421). Production of both pools will be measured at the TB located in the NE/4 SW/4, Sec. 13 T18S R36E. This lease has common interest in both pools. Mack Energy Corporation owns all interest in this lease. The oil purchaser has been notified of the intent to commingle. Allocation will be done using the subtraction method based on increased production from the Bone Springs formation. This well has consistent daily production from the Arkansas Junction; San Andres formation.

Should you require any additional information concerning this application, please call Deana Weaver at 575-748-1288. Thank you for your consideration of this request.

Sincerely,

MACK ENERGY CORPORATION

Deana Weaver
Production Clerk
dweaver@mec.com

DW/
Enclosures

RECEIVED OCD
2013 MAY -3 P 2:24