

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



March 4, 2016

Surface Commingling Order PLC-445
Administrative Application Reference No. pMAM1606235553

MACK ENERGY CORPORATION
Attention: Mr. Jerry Sherrell

Pursuant to your application received on March 2, 2016, Mack Energy Corporation (OGRID 13873) is hereby authorized to surface commingle gas production from the following pools located in Township 18 South, Range 36 East, NMPM, Lea County, New Mexico;

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|--------------------------------|--------|
| ARKANSAS JUNCTION; SAN ANDRES | (2500) |
| ARKANSAS JUNCTION; BONE SPRING | (2340) |

and from the following identically owned state leases in said Section, Township, and Range in Lea County, New Mexico.

Lease: Kansas State Lease VO-8143
Description: S/2 of Section 26
Well: Kansas State Well No. 1
Pool: Arkansas Junction; Bone Spring

Lease: Arkansas State Lease V-8144
Description: NE/4 of Section 35
Well: Arkansas State Well No. 1
Arkansas State Well No. 2
Arkansas State Well No. 3
Pool: Arkansas Junction; Bone Spring and Arkansas Junction; San Andres

Commingled gas production from the wells shall be measured and sold at the Arkansas State tank battery, located in Unit A of Section 35, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico.

The gas production from each of the identically-owned leases shall be separately metered using a combination of well testing and allocation meters, along with historical production.

The allocation meters shall be calibrated quarterly in accordance with Rule 19.15.12.10.C(2) NMAC.

After initial notification, future wells that will produce from the pools and leases approved by this order may be added to this commingling authority by submittal of a Sundry Notice to the Engineering Bureau in Santa Fe.

This installation shall be installed and operated in accordance with the applicable Division Rules and Regulations.

The producer/Operator shall notify the transporter of this commingling authority and the Artesia District Office prior to implementation of commingling operations.

This Order supersedes Administrative Order PC-1201, issued on October 10, 2008.

Done at Santa Fe, New Mexico, on March 4, 2016.



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division District Office – Hobbs
New Mexico State Land Office – Oil, Gas, and Minerals

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 June 19, 2008

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

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|--|--|---|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR, USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) | | WELL API NO. Multiple |
| 1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> | | 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> |
| 2. Name of Operator Mack Energy Corporation | | 6. State Oil & Gas Lease No. V-8144 |
| 3. Address of Operator P.O. Box 960 Artesia, NM 88210 | | 7. Lease Name or Unit Agreement Name Arkansas State |
| 4. Well Location Unit Letter <u>NE/4</u> _____ feet from the _____ line and _____ feet from the _____ line Section <u>35</u> Township <u>18S</u> Range <u>36E</u> NMPM County <u>Lea</u> | | 8. Well Number <u>1-4</u> |
| 11. Elevation (Show whether DR, RKB, RT, GP etc.) | | 9. OGRID Number 013837 |
| 10. Pool Name or Wildcat Arkansas Junction; San Andres & Bone Spring | | |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| | | | |
|---|---|--|--|
| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
| PERFORM REMEDIAL WORK <input type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> | REMEDIALWORK <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input type="checkbox"/> | P AND A <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | MULTIPLE COMPL <input type="checkbox"/> | CASING/CEMENT JOB <input type="checkbox"/> | |
| DOWNHOLE COMMINGLE <input type="checkbox"/> | | | |
| OTHER: <u>Surface Commingle</u> <input checked="" type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Mack Energy Corporation as operator respectfully requests administrative approval to surface commingle and measurement of production. It is requested that surface commingling of Arkansas Junction; San Andres and Arkansas Junction; Bone Spring pools be approved for the following lease: Arkansas State(V-8144) Sec. 35, T18S, R36E

The tank battery is located in the NE/4 NE/4, Sec. 35 T18S R36E. Proper allocation for production will be measured using periodic well tests. Mack Energy has made notification to all parties owning an interest in this lease, including the oil purchaser, of the intent to commingle. Interests in all pools on this lease are common.

Mack Energy is currently producing the Arkansas State #1 in the San Andres and completing the Arkansas State #2 in the Bone Spring formation. Two more wells have been staked for future drilling. At this time we are requesting approval to add the Bone Spring to this production. Production is stabilized therefore allocation of added Bone Spring formation will be easily achieved.

Spud Date: Rig Release Date:

PC-1201

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

SIGNATURE Jerry W. Sherrell TITLE Production Clerk DATE 9/18/08

Type or print name Jerry W. Sherrell E-mail address: jerrys@mackenergycorp.com PHONE: (575)748-1288

APPROVED BY: [Signature] TITLE Engineer DATE 10/3/08

Conditions of Approval (if any): _____