

DATE IN 5/26/06	SUSPENSE 6-15-06	ENGINEER MIKE STOGNER	LOGGED IN 5/26/06	TYPE NSL	APP NO. PTDS0614651450
-----------------	------------------	-----------------------	-------------------	----------	------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

# NEW MEXICO OIL CONSERVATION DIVISION

## - Engineering Bureau -

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



*Mack*

## 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 \_\_\_\_\_

### [21] 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

### [31] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[41] **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.

Jerry W. Sherrell  
 Print or Type Name

*Jerry W. Sherrell*  
 Signature

Production Clerk  
 Title

5/24/2006  
 Date

jerrys@mackenergycorp.com  
 e-mail Address

2006 MAY 26 PM 12 51



P.O. Box 960  
Artesia, NM 88211-0960  
Office (505) 748-1288  
Fax (505) 746-9539

May 24, 2006

Oil Conservation Division  
Attn: Mike Stogner  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Dear Mr. Stogner:

Mack Energy contract operator for COG Operating LLC respectfully requests an administrative approval without notice and hearing of the following unorthodox well location.

Because of our desire to drill this well in a timely manner, we also request your approval be expedited. The well location and legal description is as follows:

Schley Federal #16  
1600 FNL & 2235 FWL  
Sec. 29, T17S, R29E  
Eddy County, New Mexico

*30-015-34808*

The well will be completed in the Paddock formation in the East Empire Yeso Pool.

Attached to this application are the following exhibits.

- A.) Well location and acreage dedication plat (form C-102) filed with the Artesia office of the Oil Conservation Division (Exhibit A).
- B.) A plat showing the proposed unorthodox locations, the respective proration units, and the offsetting proration units (Exhibit B).
- C.) A map showing the reason for the unorthodox location, the original location would have fallen on top of or too close to an existing gas pipeline (Exhibit C).
- D.) A lease & well location map showing that there is 1 well staked and 3 producing wells for effective 10-acre spacing on this particular 40-acre tract (Exhibit D).

*9:31 AM  
6-14-06  
Voice mail  
message from  
Jerry checking on  
the status of  
this appl.  
[Signature]*

*Oil Conservation Division*

*May 24, 2006*

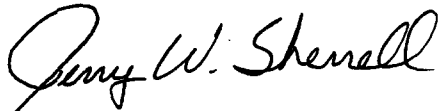
*Page 2*

*Moving the location 50' to the north will give the distance needed to build a location away from the gas pipeline. The location would have to be moved approximately 350' south and 100' west to get away from the pipeline to make it orthodox. This would leave less than adequate distance between this well and the producing well to the south. There are no other possible orthodox locations for this well due to three other producing wells being located on 10-acre spacing.*

*Thank you for your assistance in this matter. If you have any questions, please feel free to call.*

*Sincerely,*

*MACK ENERGY CORPORATION*

A handwritten signature in black ink that reads "Jerry W. Sherrell". The signature is written in a cursive style with a large, stylized "J" and "S".

*Jerry W. Sherrell  
Production Clerk*

*JWS/*

*Enclosures*

If earthen pits are used in  
association with the drilling of this  
well, an OCD pit permit must be  
DE obtained prior to pit construction.

SUBMIT IN TRIPLICATE\*  
(Other Instructions on  
reverse side)

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN			
1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>			
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> OTHER <input type="checkbox"/>			
2. NAME OF OPERATOR Mack Energy Corporation			
3. ADDRESS AND TELEPHONE NO. P.O. Box 960, Artesia, NM 88211-0960 (505) 748-1288			
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirement.) At surface 1600 FNL & 2235 FWL At proposed prod. zone			
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 6.25 miles west of Loco Hills			
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	
280		160	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.		19. PROPOSED DEPTH	
660		6200	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3606' GR		20. ROTARY OR CABLE TOOLS Rotary	
22. APPROX. DATE WORK WILL START* 3/22/2006		17. NO OF ACRES IN LEASE TO THIS WELL 40	
23. PROPOSED CASING AND CEMENTING PROGRAM			
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH
17 1/2	H-40, 13 3/8	48	325
12 1/4	J-55, 8 5/8	24	850
7 7/8	J-55, 5 1/2	17	6200
QUANTITY OF CEMENT Circ			

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

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

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

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. Shenell TITLE Production Clerk DATE 2/22/2006  
(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:

See 1

MAY 19 2006

APPROVED BY /s/ Tony J. Herrell TITLE FIELD MANAGER DATE \_\_\_\_\_

\*See Instructions On Reverse Side

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.

APPROVAL FOR 1 YEAR

DISTRICT I  
225 N. FRENCH DR., HOBBES, NM 88240

DISTRICT II  
1301 W. GRAND AVENUE, 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 Department

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 96610	Pool Name Empire Yeso East
Property Code 22367	Property Name SCHLEY FEDERAL	Well Number 16
OGRID No. 013837	Operator Name MACK ENERGY CORPORATION	Elevation 3606'

Surface Location

UL or lot No. F	Section 29	Township 17-S	Range 29-E	Lot Idn	Feet from the 1600	North/South line NORTH	Feet from the 2235	East/West line WEST	County EDDY
--------------------	---------------	------------------	---------------	---------	-----------------------	---------------------------	-----------------------	------------------------	----------------

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 40	Joint or Infill	Consolidation Code	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>GEODETIC COORDINATES NAD 27 NME Y=657869.0 N X=572362.0 E LAT.=32°48'30.06" N LONG.=104°05'52.13" W</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Jerry W. Sherrell</i> 2/22/06 Signature Date Jerry W. Sherrell Printed Name</p> <p><b>SURVEYOR CERTIFICATION</b></p> <p>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>JANUARY 30, 2006 Date Surveyed DSR Signature &amp; Seal of Professional Surveyor 12841 Certificate No. GARY EIDSON 12841</p>
--	---

# State of New Mexico

## DISTRICT I

1625 N. FRENCH DR., BOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

## DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

## OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

## DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

## DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name <b>SCHLEY FEDERAL</b>	Well Number 16
OGRD No.	Operator Name <b>MACK ENERGY CORPORATION</b>	Elevation 3606'

### Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	29	17-S	29-E		1600	NORTH	2235	WEST	EDDY

### Bottom Hole Location If Different From Surface

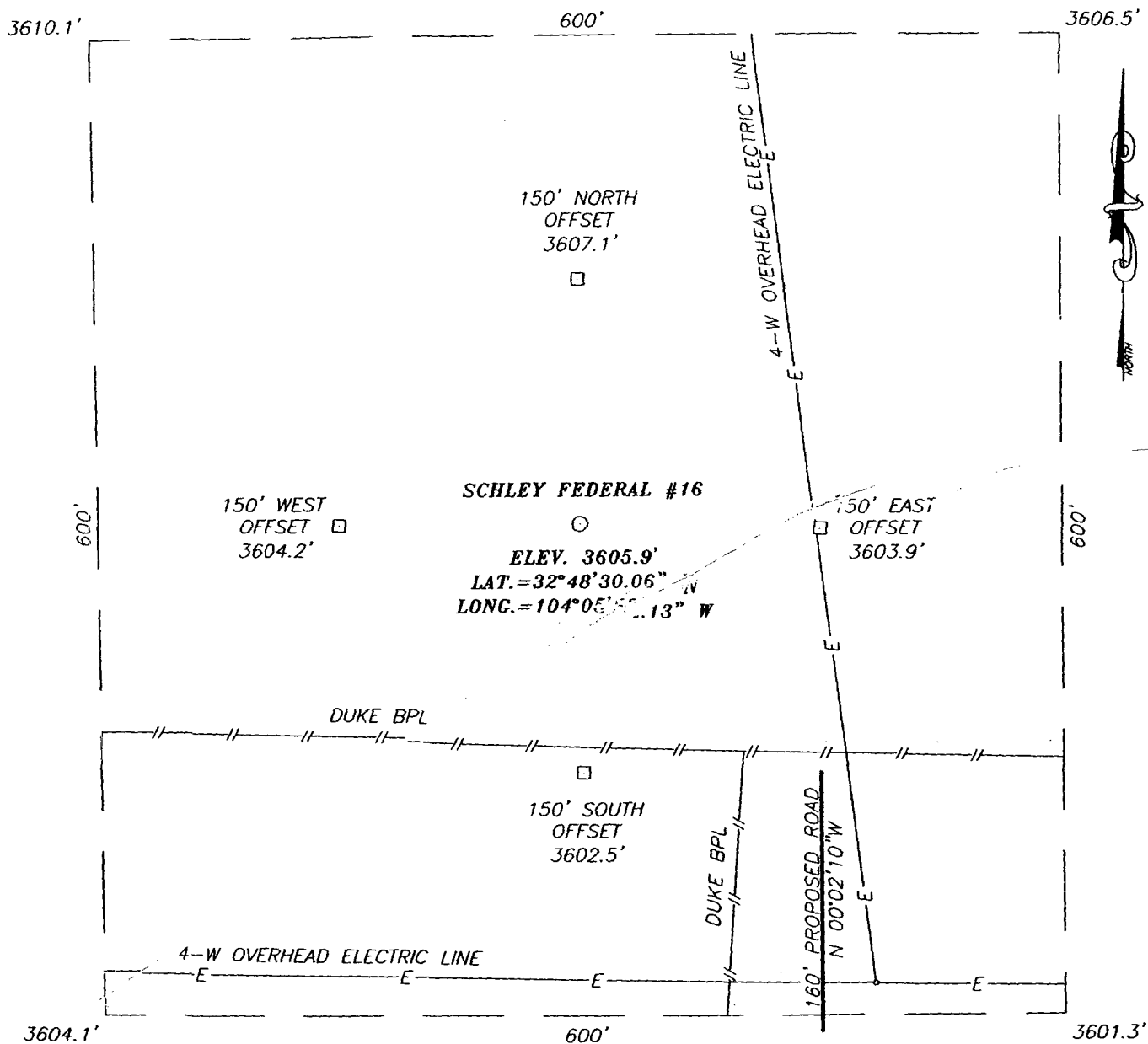
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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

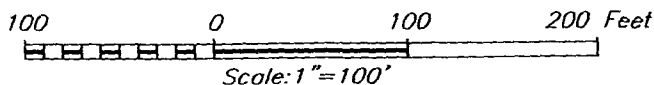
	<b>OPERATOR CERTIFICATION</b>  I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature _____ Date _____  Printed Name _____
	<b>SURVEYOR CERTIFICATION</b>  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.  Date Surveyed JANUARY 30, 2006 DSR Signature & Seal of Professional Surveyor Certificate No. GARY EIDSON 12841
	GEODETIC COORDINATES NAD 27 NME Y=657869.0 N X=572362.0 E LAT.=32°48'30.06" N LONG.=104°05'52.13" W

**SECTION 29, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,**  
 EDDY COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF U.S. HWY #82 AND CO.RD. #21 (OLD LOCO RD.), GO WEST ALONG U.S. HWY #82 APPROX. 0.5 MILES AND TURN LEFT. GO SOUTH APPROX. 0.38 MILES AND TURN LEFT. GO EAST APPROX. 0.44 MILES AND TURN LEFT. GO NORTH APPROX. 0.17 MILES TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY NORTH APPROX. 200' TO THIS LOCATION.



**MACK ENERGY CORPORATION**

SCHLEY FEDERAL #16 WELL  
 LOCATED 1600 FEET FROM THE NORTH LINE  
 AND 2235 FEET FROM THE WEST LINE OF SECTION 29,  
 TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.

Survey Date: 01/30/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.0135	Dr By: D.S.R. Rev 1:N/A
Date: 02/09/06	Disk: CD#1 06110135 Scale: 1"=100'

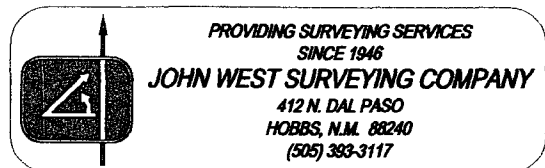
PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

This topographic map depicts the Schley Federal #16 area, featuring a proposed road and various landmarks. The map includes contour lines with elevations ranging from 3540 to 3650 feet. Key features include:

- Proposed Road:** A road labeled "160' OF PROPOSED ROAD" is shown, running diagonally across the map. It is identified as "RD 21" and "OLD LOCO RD".
- Existing Infrastructure:** A "PIPELINE" is shown running horizontally across the upper left. "ST. HWY #82" is also indicated.
- Landmarks and Features:**
  - Schley Federal #16:** A rectangular area labeled "SCHLEY FEDERAL #16" is shown, with a "160' OF PROPOSED ROAD" section highlighted.
  - Oil Well (Inactive):** Labeled "Oil Well (Inactive) 3598".
  - Oil Tanks:** Several "Oil Tanks" are marked, including one near "Gravel Pit" and another near "Windmill".
  - Windmill:** A "Windmill" is located near the "Oil Well (Inactive) 3598".
  - Gravel Pit:** A "Gravel Pit" is located near the "Oil Well (Inactive) 3598".
  - BM (Benchmark):** Several benchmarks are marked, including "BM 3653", "BM 3652", "BM 3651", and "BM 3650".
  - WT (Water Tower):** A "WT" is marked near the "Oil Well (Inactive) 3598".
- Topographic Features:** Contour lines are labeled with elevations such as 3650, 3640, 3630, 3620, 3610, 3600, 3590, 3580, 3570, 3560, 3550, 3540, and 3530. A "Gravel Pit" is also labeled.
- Grid System:** The map is overlaid with a grid system, with numbers 19, 20, 21, 28, 29, 30, 31, 32, and 33 indicating the grid coordinates.

CONTOUR INTERVAL:  
RED LAKE SE, N.M. - 10'

SEC. 29 TWP. 17-S RGE. 29-E  
SURVEY N.M.P.M.  
COUNTY EDDY STATE NEW MEXICO  
DESCRIPTION 1600' FNL & 2235' FWL  
ELEVATION 3606'  
OPERATOR MACK ENERGY CORPORATION  
LEASE SCHLEY FEDERAL  
U.S.G.S. TOPOGRAPHIC MAP  
RED LAKE SE, N.M.







## 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. It was staked by John West Engineering, Hobbs, NM.
- 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 82 and CR 211, go 5/10 mile west, turn south 4/10 mile, west 3/10 mile, south 1/10 mile 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.

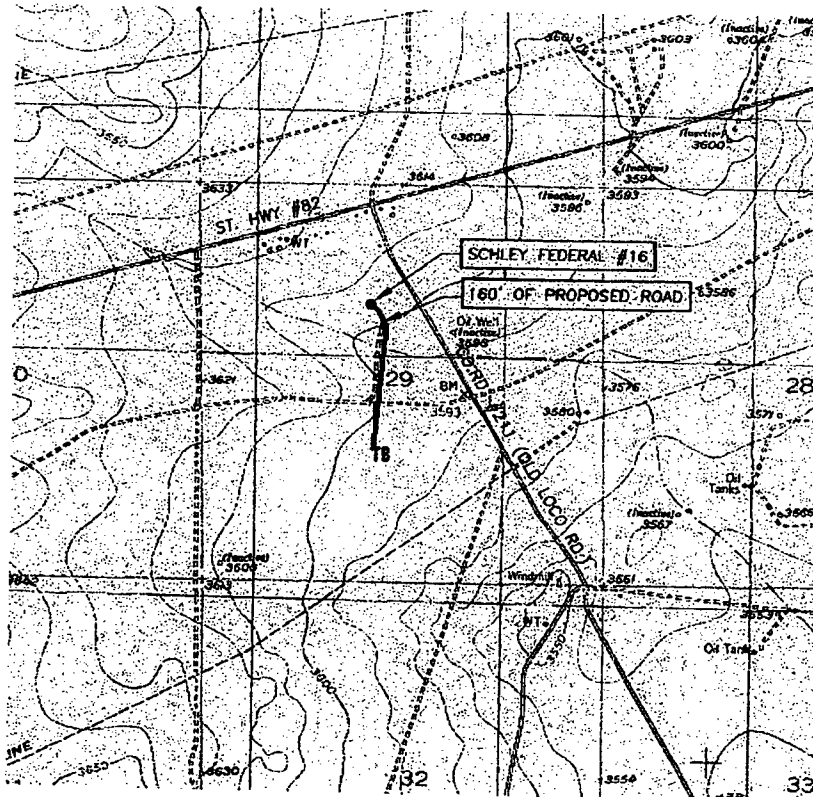


Exhibit #4

Attached to Form 3160-3  
Mack Energy Corporation  
Schley Federal #16  
1600 FNL & 2235 FWL  
SE/4 NW/4, Sec 29 T17S R29E  
Eddy County, NM

**2. Proposed Access Road:**

Exhibit #3 shows the 160' 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 San Andres and Yeso formations. Proposed flow lines, in green, will follow an archaeologically approved route to the existing battery.

**4. Location of Existing and/or Proposed Facilities:**

- A. Mack Energy Corporation does operate a production facility on this lease.
- B. If the well is productive, contemplated facilities will be as follows:
  - 1) Yeso Completion: Will be sent to the Schley 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.

Attached to Form 3160-3  
Mack Energy Corporation  
Schley Federal #16  
1600 FNL & 2235 FWL  
SE/4 NW/4, Sec 29 T17S R29E  
Eddy County, NM

- 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.

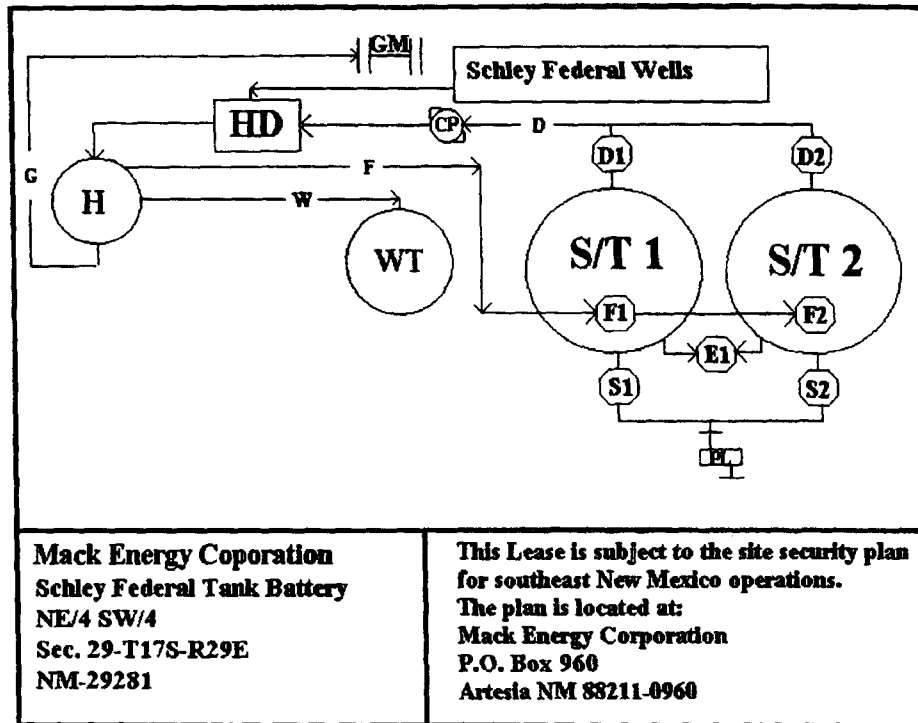


Exhibit #5

- 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  
Schley Federal #16  
1600 FNL & 2235 FWL  
SE/4 NW/4, Sec 29 T17S R29E  
Eddy 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 125' X 125' X 10' deep with a dividing wall dividing it into two horseshoe style pits 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 125' X 125' X 10'. The reserve pit will be lined (12-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.

**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 and access road. 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 (12 mil thickness).

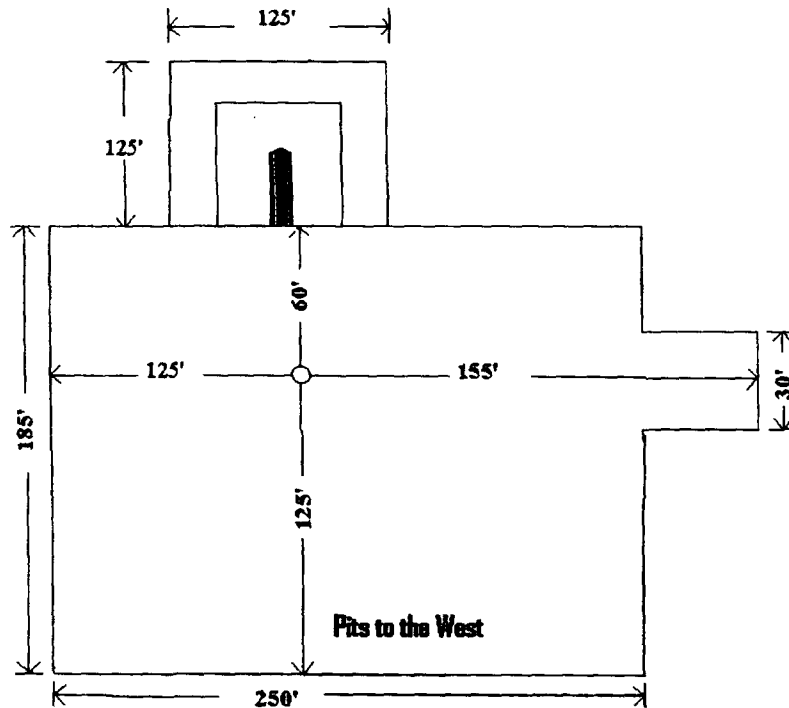


Exhibit #6

**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,

Attached to Form 3160-3  
Mack Energy Corporation  
Schley Federal #16  
1600 FNL & 2235 FWL  
SE/4 NW/4, Sec 29 T17S R29E  
Eddy County, NM

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 Charles Martin, P.O. Box 706, Artesia NM 88211.

**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:

Jerry W. Sherrell  
Mack Energy Corporation  
P.O. Box 960  
Artesia, NM 88211-0960  
Phone (505) 748-1288 (office)

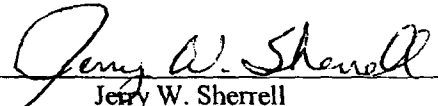
Attached to Form 3160-3  
Mack Energy Corporation  
Schley Federal #16  
1600 FNL & 2235 FWL  
SE/4 NW/4, Sec 29 T17S R29E  
Eddy County, NM

---

### 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: 2-22-2006

Signed:   
Jerry W. Sherrell



**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.:** NM-29281 Schley Federal #16

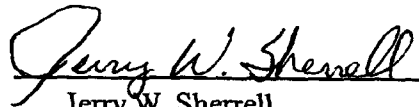
**Legal Description of land:** Sec 29 T17S R29E SE/4 NW/4

**Formation(s) (if applicable):** Yeso

**Bond Coverage: (State if individually bonded or another's bond)**  
**Statewide Bond**

**BLM Bond File No.:** NM-2151

**Authorized Signature:**

  
Jerry W. Sherrell

**Title:** Production Clerk

**Date:** 2/22/2006



P.O. Box 960  
Artesia, NM 88211-0960  
Office (505) 748-1288  
Fax (505) 746-9539

May 24, 2006

**VIA CERTIFIED MAIL 7004 2510 0004 3033 2338**  
**CERTIFIED RETURN RECEIPT MAIL**

**Chevron USA Inc.  
Attn: Denise Beckham  
15 Smith Rd.  
Midland, TX 79705**

**Dear Madam:**

**This letter will serve as a notice that Mack Energy contract operator for COG Operating LLC has requested administrative approval from the NMOCD for an unorthodox East Empire Yeso oil well location for the Schley Federal #16 under Rule 104.F. (3). The location for this well is 1600 FNL & 2235 FWL of Section 29-T17S-R29E, Eddy County, New Mexico.**

**Should your company 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 unorthodox location if no objection to the unorthodox location has been made within the 20 days after the application has been received.**

**Sincerely,**

**Jerry W. Sherrell  
Production Clerk**

**JWS/**

**Enclosures**



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

June 16, 1998

Mack Energy Corporation  
P. O. Box 960  
Artesia, New Mexico 88211-0960  
Attention: Matt Brewer

*Administrative Order NSL-4058*

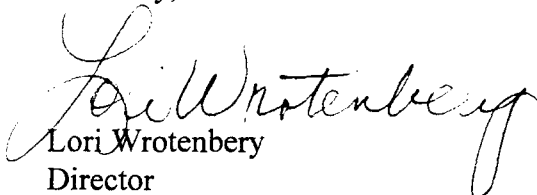
Dear Mr. Brewer:

Reference is made to your application dated June 2, 1998 for an unorthodox oil well location in the Undesignated East Empire-Yeso Pool for Mack Energy Corporation's proposed Schley Federal Well No. 8 to be drilled 1580 feet from the North line and 1650 feet from the West line (Unit F) of Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico. The SE/4 NW/4 of Section 29 is to be dedicated to the well in order to form a standard 40-acre oil spacing and proration unit for said pool.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

  
Lori Wrotenberg  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

October 16, 1998

Mack Energy Corporation  
Attention: Matt J. Brewer  
P. O. Box 960  
Artesia, New Mexico 88211-0960

Telefax No. (505) 746-2362

*Administrative Order NSL-4058-A(SD)*

Dear Mr. Brewer:

Reference is made to your application dated August 21, 1998 for an unorthodox "infill" oil well location within a standard 40-acre oil spacing and proration unit comprising the SE/4 NW/4 (Unit F) of Section 29, Township 17 South, Range 29 East, NMPM, Undesignated East Empire-Yeso Pool, Eddy County, New Mexico. This 40-acre unit is also to be dedicated to Mack Energy Corporation's Schley Federal Well No. 8 (API No. 30-015-30307), to be drilled at an unorthodox oil well location (approved by Division Administrative Order NSL-4058, dated June 16, 1998) 1580 feet from the North line and 1650 feet from the West line of Section 29.

The subject application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2), the following described well to be drilled at an unorthodox "infill" oil well location within the SE/4 NW/4 (Unit F) of Section 29 is hereby approved:

**Schley Federal Well No. 6  
2035' FNL - 2450' FWL.**

Further, at such time as Yeso production is established from both the Schley Federal Well Nos. 6 and 8 are to be simultaneously dedicated to the subject 40-acre tract.

Sincerely,

Lori Wrotenberg  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad  
File: NSL-4058

**Stogner, Michael, EMNRD**

---

**From:** Jerry Sherrell [jerrys@mackenergycorp.com]  
**To:** Stogner, Michael, EMNRD  
**Cc:**  
**Subject:** NSL orders  
**Attachments:**

**Sent:** Tue 6/20/2006 8:13 AM

Michael, I have submitted some NSL applications last month and was curious about the status. They were submitted for COG Operating LLC. The Schley Federal #16 and the Mesquite State #19. Please let me know the status.

Thanks,

Jerry W. Sherrell

jerrys@mackenergycorp.com

**Stogner, Michael, EMNRD**

---

**From:** Stogner, Michael, EMNRD  
**To:** Jerry Sherrell  
**Cc:**  
**Subject:** RE: NSL orders  
**Attachments:**

**Sent:** Tue 6/20/2006 11:29 AM

Due to the number of request for administrative exceptions to the well location, density, and spacing rules, these two filings are still pending. I again stress to you and to all operators that wells be drilled at standard locations and that such location exceptions be filed as a last dig effort, otherwise expect longer waiting times.

---

**From:** Jerry Sherrell [mailto:jerrys@mackenergycorp.com]  
**Sent:** Tue 6/20/2006 8:13 AM  
**To:** Stogner, Michael, EMNRD  
**Subject:** NSL orders

Michael, I have submitted some NSL applications last month and was curious about the status. They were submitted for COG Operating LLC. The Schley Federal #16 and the Mesquite State #19. Please let me know the status.

Thanks,

Jerry W. Sherrell

jerrys@mackenergycorp.com