

DATE IN 9/23/08	SUSPENSE	ENGINEER W. Jones	LOGGED IN 9/24/08	TYPE PC	APP NO. PKURO826830530
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ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

### - Engineering Bureau -

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



## 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.

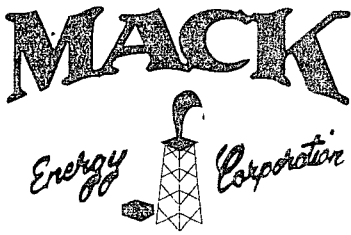
Jerry W. Sherrell  
 Print or Type Name

*Jerry W. Sherrell*  
 Signature

Production Clerk  
 Title

9/18/08  
 Date

jerrys@mackenergycorp.com  
 e-mail Address



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

September 18, 2008

Patrick H. Lyons  
State of New Mexico  
Commissioner of Public Lands  
P.O. Box 1148  
Santa Fe, NM 87504-1148

*Re: Request to Surface Commingle San Andres & Bone Spring production  
within Arkansas State Lease*

*Dear Mr. Lyons:*

*Enclosed is a copy of our application to Surface Commingle Arkansas  
Junction; San Andres and Arkansas Junction; Bone Spring production on the  
Arkansas State Lease (V-8144). Production will be measured at a central tank  
battery located at the Arkansas State #1 660 FNL & 660 FEL Sec. 35 T17S  
R36E.*

*Please process the application at your earliest convenience. Should you have  
any questions, please call me at (575) 748-1288.*

*Sincerely,*

MACK ENERGY CORPORATION

Jerry W. Sherrell  
Production Clerk

JWS/

Enclosures

## MEMO

DATE: September 17, 2008

TO: NMOCD

FROM: Ronald W. Lanning  
Mack Energy Corporation

SUBJECT: 1904 – ARKANSAS STATE LEASE

Our Arkansas State Lease is State of New Mexico Lease # V-8144. We purchased this lease at the October, 2007 State of New Mexico Lease Sale. The lease covers all depths under the NE/4 of Section 35, T18S, R36E. Chase Oil Corporation and various members of the Chase family (all affiliates of Mack Energy Corporation) own 100% of the working interest under the lease.

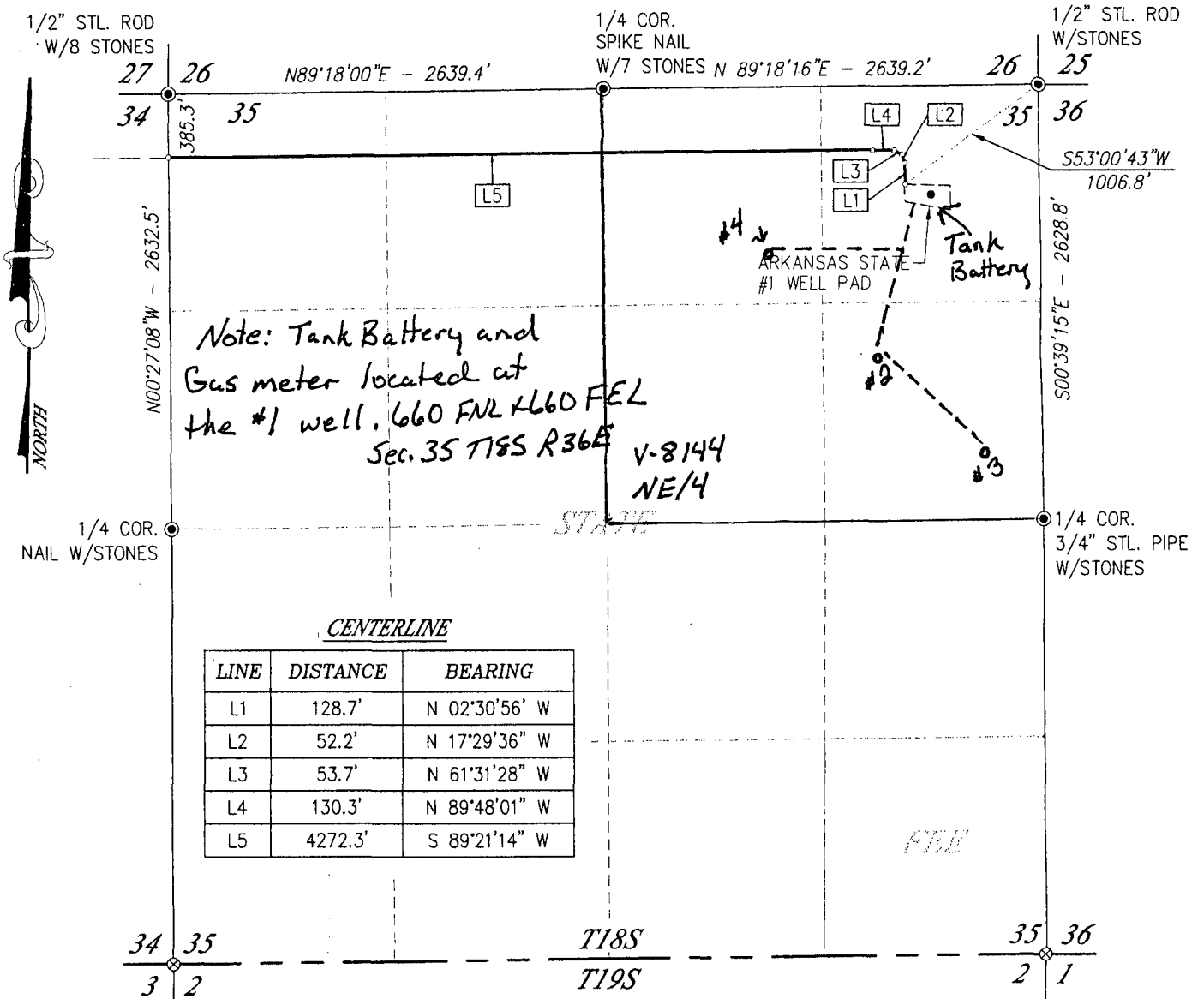
A handwritten signature in black ink, appearing to be 'RWL', with a large, stylized loop at the end.

RWL:

## SECTION 35, TOWNSHIP 18 SOUTH, RANGE 36 EAST, N.M.P.M.

LEA COUNTY

NEW MEXICO



## DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE CROSSING STATE OF NEW MEXICO LAND IN SECTION 34, TOWNSHIP 18 SOUTH, RANGE 36 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO, AND BEING 15.0 FEET LEFT AND 15.0 FEET RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY:

BEGINNING AT A POINT IN THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 35, WHICH LIES S53°00'43"W 1006.8 FEET FROM THE NORTHEAST CORNER OF SAID SECTION; THEN N02°30'56"W 128.7 FEET; THEN N17°29'36"W 52.2 FEET; THEN N61°31'28"W 53.7 FEET; THEN N89°48'01"W 130.3 FEET; THEN S89°21'14"W 4272.3 FEET TO A POINT ON THE WEST LINE, WHICH LIES S00°27'08"E 385.3 FEET FROM THE NORTHWEST CORNER OF SAID SECTION.

SAID STRIP OF LAND BEING 4637.2 FEET OR 281.04 RODS IN LENGTH, CONTAINING 3.194 ACRES MORE OR LESS AND BEING ALLOCATED BY FORTIES AS FOLLOWS:

NE/4 NE/4 41.04 RODS OR 0.466 ACRES  
NW/4 NE/4 80.00 RODS OR 0.909 ACRES  
NE/4 NW/4 80.00 RODS OR 0.909 ACRES  
NW/4 NW/4 80.00 RODS OR 0.909 ACRES

## NOTE

BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.

I HEREBY CERTIFY THAT I DIRECTED AND AM RESPONSIBLE FOR THIS SURVEY. THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.

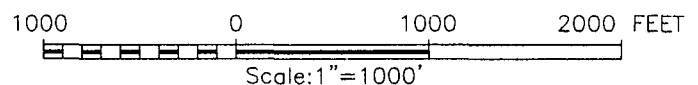
GARY G. EIDSON, N.M. P.S. No. 12641  
RONALD J. EIDSON, N.M. P.S. No. 3239

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

\\DonnaS\Easements\2008\08110142 Mack Energy Access Road\08110142.dwg

## LEGEND

- DENOTES FOUND CORNER AS NOTED
- ⊗ DENOTES CALCULATED CORNER



## MACK ENERGY CORPORATION

CENTERLINE SURVEY OF AN EXISTING ROAD  
CROSSING SECTION 35,  
TOWNSHIP 18 SOUTH, RANGE 36 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO

Survey Date: 02/13/08	Sheet: 1 of 1 Sheets
W.O. Number: 08.11.0142	Drawn By: DSS
Date: 02/21/08	08110142

**Jones, William V., EMNRD**

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**From:** Ron Lanning [rlanning@mackenergycorp.com]  
**Sent:** Thursday, September 18, 2008 9:20 AM  
**To:** Jones, William V., EMNRD  
**Cc:** Jerry Sherrell  
**Subject:** FW: Arkansas State Surface Comingling

**Will – There are no ORI's. All revenues are owned by the State of New Mexico and affiliates of Mack Energy Corporation (working interest owners).**

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**From:** Jerry Sherrell  
**Sent:** Thursday, September 18, 2008 9:01 AM  
**To:** Ron Lanning  
**Subject:** FW: Arkansas State Surface Comingling

Ron, just an fyi.

Jerry

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**From:** Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]  
**Sent:** Wednesday, September 17, 2008 3:19 PM  
**To:** Jerry Sherrell  
**Cc:** Charles Sadler  
**Subject:** RE: Arkansas State Surface Comingling

Hello Jerry and Charles:

You don't need to use "subtraction" on a surface commingle - **you can use periodic well testing of all wells involved if the interests are identical.** If interests are not-identical and it is an oil lease, then you should schedule it for hearing.

Your landman certification shows this is likely identical interests, I wish the Landman would actually address "revenue interests" instead of the referral to "one lease" and 100% WI is owned by "affiliates" of Chase - the Rule 303 says revenue interests (this shows I am not a landman).

Actually the Land letter sounds fine the way it is in this case, but from this language I can understand that the affiliates of Chase are all aware this is being proposed and they all do not quarrel with this proposed surface commingle? If one of them sells its interests to someone else, then the situation could change?

**Please also send a schematic or cartoon of the flowlines/battery and wells and any metering - and the legal location of the sales meters for oil and for gas. If the sales meters are off-lease, then you should request offlease-measurement and sales.**

William V. Jones PE  
New Mexico Oil Conservation Division  
1220 South St. Francis  
Santa Fe, NM 87505  
505-476-3448

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**From:** Jerry Sherrell [mailto:jerrys@mackenergycorp.com]  
**Sent:** Wednesday, September 17, 2008 2:32 PM  
**To:** Jones, William V., EMNRD  
**Cc:** Charles Sadler  
**Subject:** Arkansas State Surface Comingling

9/18/2008

Hello Will,

I have attached a copy of a proposal to surface Commingle San Andres and Bone Spring production on the Arkansas State Lease (V-8144). I will put the hard copy in the mail today. I know that you are extremely busy, but if you could take a look at this I would greatly appreciate it. It should be fairly simple considering all interests are common.

Thanks,

Jerry W. Sherrell  
Mack Energy Corporation  
Office 575-748-1288  
Cell 575-703-8383  
jerrys@mackenergycorp.com

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9/18/2008