

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-

Oil Conservation Division

1220 S. St Francis Dr.

Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL

| | | |
|--|---|-----------------------------------|
| Operator Name and Address MACK ENERGY CORP PO Box 960 Artesia, NM 88211-0960 | | OGRID Number 13837 |
| | | API Number 30-015-33305 |
| Property Code 1337 33581 | Property Name Southern Cross 32 State | Well No. 003 |

Surface Location

| UL or Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|-----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| H | 32 | 18S | 24E | H | 1980 | N | 660 | E | Eddy |

Proposed Pools

| |
|--|
| Undes. Antelope Sink; Upper Penn. |
|--|

| | | | | |
|------------------------------|-------------------------------|----------------------------|----------------------------|---------------------------------------|
| Work Type New Well | Well Type GAS | Cable/Rotary | Lease Type State | Ground Level Elevation 3780 |
| Multiple N | Proposed Depth 7300 | Formation Canyon | Contractor | Spud Date 03/31/2004 |

Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 12.25 | 8.625 | 32 | 1200 | 400 | 0 |
| Prod | 7.875 | 5.5 | 17 | 7300 | 1100 | 0 |

Casing/Cement Program: Additional Comments

Mack Energy proposes to drill to 1200 run 8 5/8 casing and cement. Drill to 7300 test Canyon Zone, run 5 1/2 casing and cement. Put well on production. 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 |
|------------|------------------|---------------|--------------|
| Double Ram | 2000 | 2000 | |

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

Electronically Signed By: Jerry Sherrell

Title: Production Clerk

Date: 03/11/2004

Phone: 505-748-1288

OIL CONSERVATION DIVISION

Electronically Approved By: Bryan Arrant

Title: Geologist

Approval Date: 03/12/2004 Expiration Date: 03/12/2005

Conditions of Approval:
There are conditions. See Attached.

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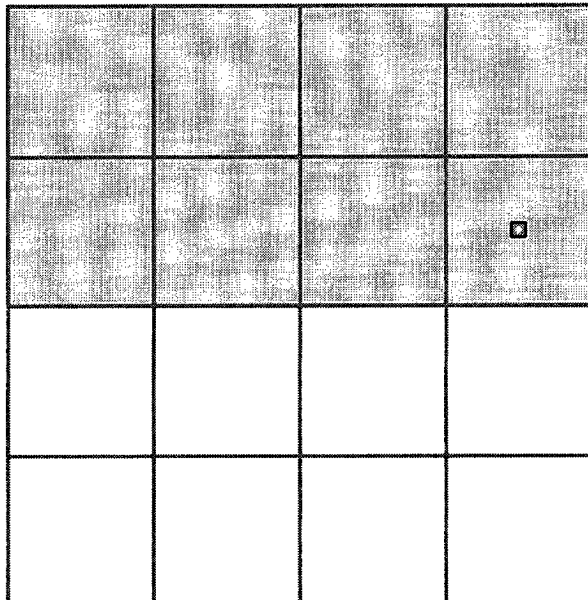
Form C-

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|--|-------------------|
| API Number 30-015-33305 | Pool Name Undes. Antelope Sink; Upper Penn. | Pool Code |
| Property Code 13837 33581 | Property Name Southern Cross 32 State | Well No. 003 |
| OGRID No. 13837 | Operator Name MACK ENERGY CORP | Elevation 3780 |

Surface And Bottom Hole Location

| | | | | | | | | | |
|------------------------|---------------|-----------------|--------------|--------------------|-------------------|---------------|------------------|---------------|----------------|
| UL or Lot H | Section 32 | Township 18S | Range 24E | Lot Idn H | Feet From 1980 | N/S Line N | Feet From 660 | E/W Line E | County Eddy |
| Dedicated Acres 320 | | Joint or Infill | | Consolidation Code | | Order No. | | | |

**OPERATOR CERTIFICATION**

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

Electronically Signed By: Jerry Sherrell

Title: Production Clerk

Date: 03/11/2004

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: 12/29/2004

Certificate Number: 12641

Permit Conditions Of Approval

Operator: MACK ENERGY CORP , 13837

Well: Southern Cross 32 State #003

| OCD Reviewer | Condition |
|--------------|---|
| BARRANT | Operator to notify OCD time of spud and time to witness the cementing of water protection string. |