

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--|-------------------------------|
| 1. Operator Name and Address MACK ENERGY CORP PO BOX 960 ARTESIA, NM 882110960 | | 2. OGRID Number 13837 |
| 4. Property Code 21044 | | 3. API Number 30-015-34741 |
| 5. Property Name CONTINENTAL A STATE | | 6. Well No. 003 |

7. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| C | 30 | 17S | 29E | C | 505 | N | 1902 | W | EDDY |

8. Pool Information

| | |
|--------------|-------|
| EMPIRE; YESO | 96210 |
|--------------|-------|

Additional Well Information

| | | | | |
|--|----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3645 |
| 14. Multiple N | 15. Proposed Depth 6000 | 16. Formation Yeso Formation | 17. Contractor | 18. Spud Date 3/30/2006 |
| Depth to Ground water 115 | | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ mls thick Clay <input type="checkbox"/> Pit Volume: 3000 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input checked="" type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 17.5 | 13.375 | 48 | 325 | 325 | 0 |
| Int1 | 12.25 | 8.625 | 24 | 800 | 500 | 0 |
| Prod | 7.875 | 5.5 | 17 | 6000 | 1200 | 0 |

Casing/Cement Program: Additional Comments

Mack Energy proposes to drill a 17 1/2 hole to 325', run 13 3/8 casing and cement. Drill a 12 1/4 hole to 800', run 8 5/8 casing and cement. Drill a 7 7/8 hole to 6000' test Yeso formation, run 5 1/2 casing and cement. 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 |
|-----------|------------------|---------------|--------------|
| DoubleRam | 2000 | 2000 | |

| | | |
|---|----------------------------------|---------------------------------|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> . | OIL CONSERVATION DIVISION | |
| Printed Name: Electronically filed by Jerry Sherrell | Approved By: Bryan Arrant | |
| Title: Production Clerk | Title: Geologist | |
| Email Address: jerrys@mackenergycorp.com | Approved Date: 3/28/2006 | Expiration Date: 3/28/2007 |
| Date: 3/28/2006 | Phone: 505-748-1288 | Conditions of Approval Attached |

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0720

District II
 1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
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Santa Fe, NM 87505

Form C-102
 Permit 25419

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|---|------------------------------|
| 1. API Number 30-015-34741 | 2. Pool Code 96210 | 3. Pool Name EMPIRE; YESO |
| 4. Property Code 21044 | 5. Property Name CONTINENTAL A STATE | 6. Well No. 003 |
| 7. OGRID No. 13837 | 8. Operator Name MACK ENERGY CORP | 9. Elevation 3645 |

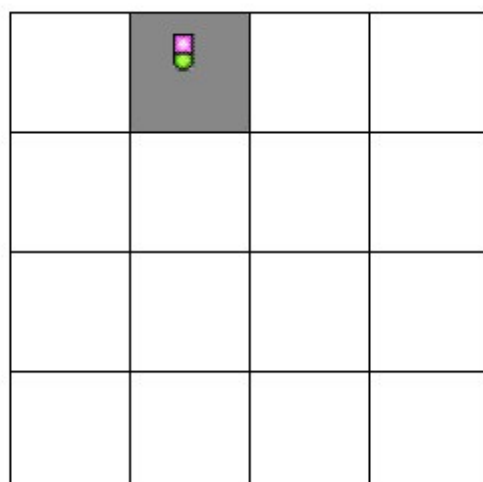
10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot C | Section 30 | Township 17S | Range 29E | Lot Idn | Feet From 505 | N/S Line N | Feet From 1902 | E/W Line W | County EDDY |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|----------------|

11. Bottom Hole Location If Different From Surface

| 11. Bottom Hole Location if Different from Surface | | | | | | | | | |
|--|---------------|---------------------|--------------|------------------------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot C | Section 30 | Township 17S | Range 29E | Lot Idn C | Feet From 330 | N/S Line N | Feet From 1902 | E/W Line W | County EDDY |
| 12. Dedicated Acres 40.00 | | 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



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(s) 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.

E-Signed By: Jerry Sherrell

Title: Production Clerk

Date: 3/28/2006

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: 3/27/2006

Certificate Number: 12641

Permit Comments

Operator: MACK ENERGY CORP , 13837

Well: CONTINENTAL A STATE #003

API: 30-015-34741

| Created By | Comment | Comment Date |
|------------|---|--------------|
| JWSHERRELL | H2S concentrations of wells in this area from surface to TD are low enough that a contingency plan is not required. | 3/14/2006 |

Permit Conditions of Approval

Operator: MACK ENERGY CORP , 13837

Well: CONTINENTAL A STATE #003

API: 30-015-34741

| OCD Reviewer | Condition |
|-----------------|---|
| BArrant | Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines |
| BArrant | As noted, operator to drill surface hole with fresh water mud. |
| BArrant | Operator to submit a directional drill plan before spudding well. |