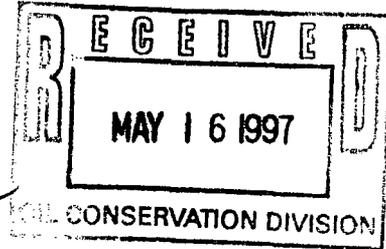


NSL 6/5/97

MACK ENERGY CORPORATION

Post Office Box 960
Artesia, New Mexico 88211-0960
(505) 748-1288 / FAX (505) 746-2362

May 14, 1997



*Chad
June memorandum*

Oil Conservation Division
Attn: Mike Stogner
2040 South Pacheco
Santa Fe, NM 87505

Dear Mr. Stogner:

Mack Energy Corporation respectfully requests an administrative approval without notice and hearing of the following unorthodox well location pursuant to Order R-7808 of the New Mexico Oil Conservation Division.

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:

McIntyre DK #10
990 FSL & 1610 FEL
Sec. 17-T17S-R30E
Eddy County, New Mexico

*Loco Hills ✓
Paddock*

The well will be completed in the Paddock formation in the Grayburg Paddock 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 under the existing power lines (Exhibit C).

By copy of this letter including the exhibits to all parties, we are notifying them by certified mail return-receipt requested of the unorthodox location.

7-1-97

Mack Energy owns Paddock fm. rights in this area including offset acreage.

*Oil Conservation Division
May 14, 1997
Page 2*

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

Sincerely,

MACK ENERGY CORPORATION

Matt J. Brewer

*Matt J. Brewer
Engineer*

/MB

Enclosures

*cc: **CERTIFIED MAIL:***

*Southwest Royalties
407 N Big Spring, Ste 300
P.O. Drawer 11390
Midland, TX 79702-8390*

*Arco Permian
600 N. Marienfeld
Midland, TX 79701*

*Phillips Petroleum Co.
4044 Penbrook
Odessa, TX 79762*

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|---------------|-------------------------|-----------|--------------------------------|
| API Number | | Pool Code | Pool Name |
| | | 28509 | Grayburg Jackson 7RVS-QN-GB-SA |
| Property Code | Property Name | | Well Number |
| 006143 | McINTYRE DK Federal | | 10 |
| OGRID No. | Operator Name | | Elevation |
| 013837 | MACK ENERGY CORPORATION | | 3671 |

Surface Location

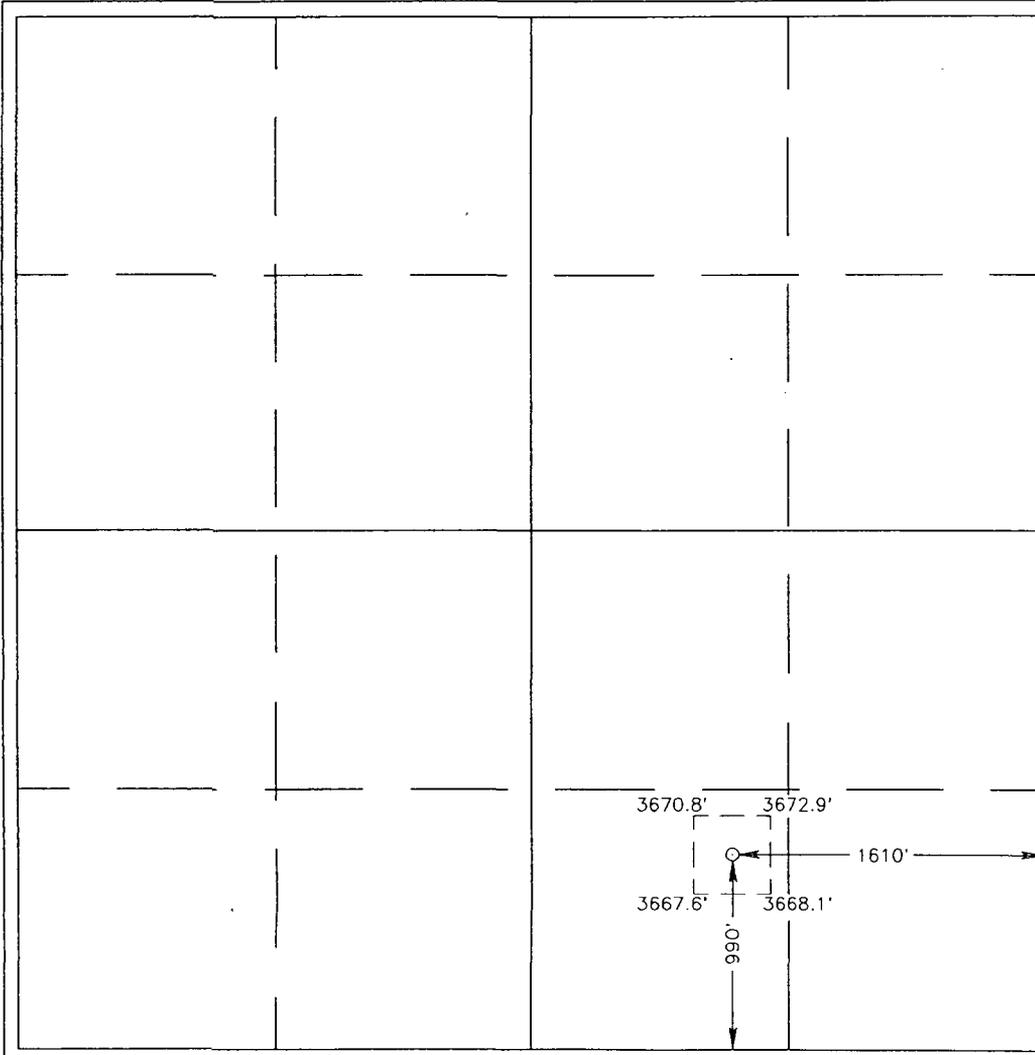
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 0 | 17 | 17 S | 30 E | | 990 | SOUTH | 1610 | EAST | 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



OPERATOR CERTIFICATION

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

Crissa D. Carter

Signature

Crissa D. Carter

Printed Name

Production Clerk

Title

2/4/97

Date

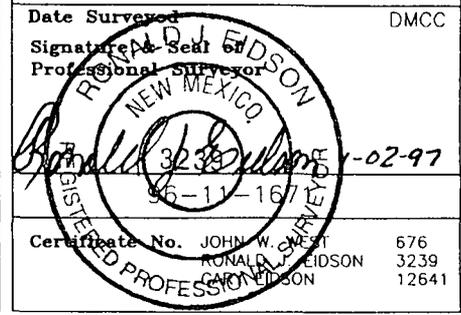
SURVEYOR CERTIFICATION

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.

DEC. 31, 1996

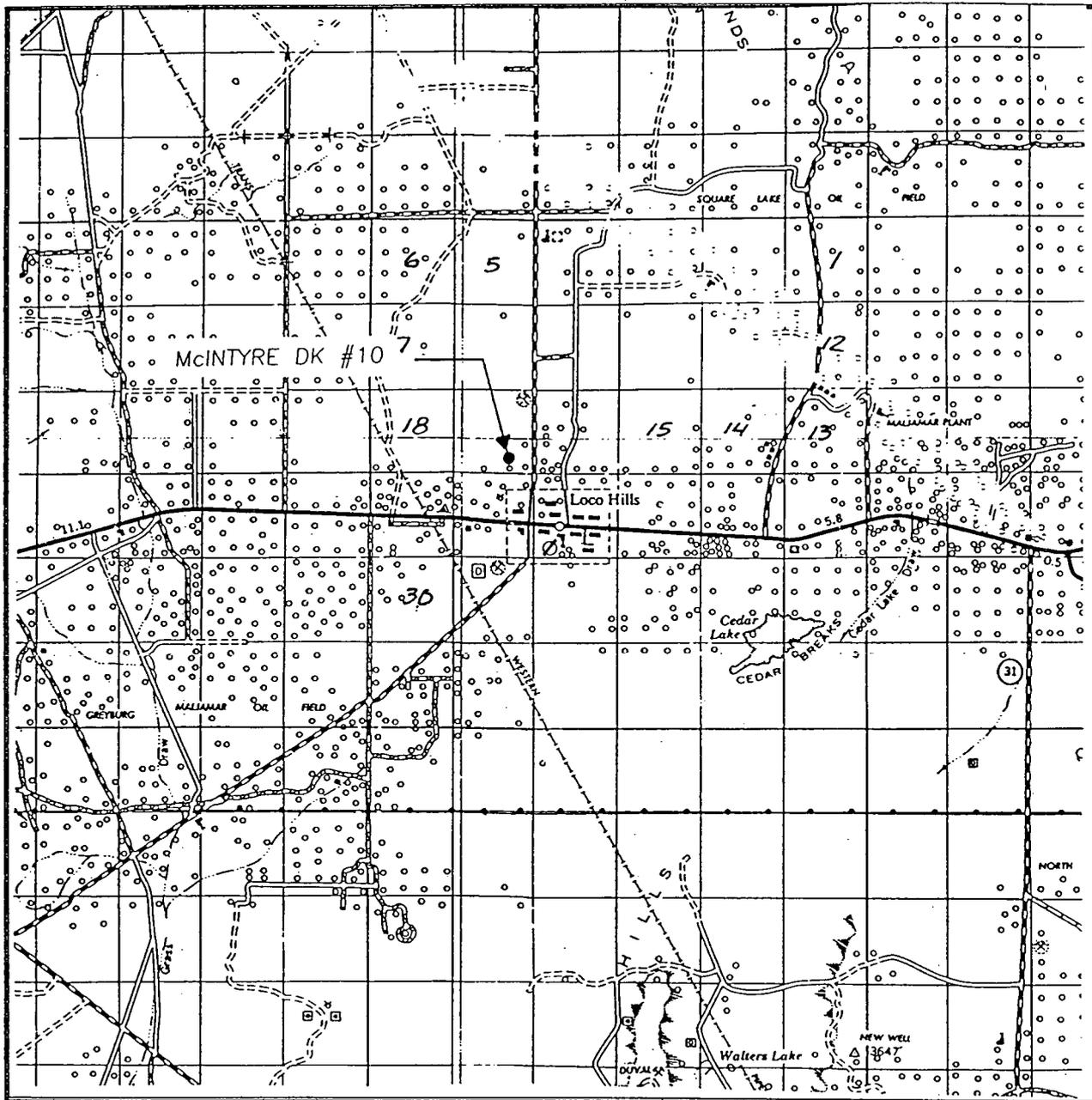
Date Surveyed DMCC

Signature & Seal of Professional Surveyor



Certificate No. JOHN W. WEST 676
RONALD W. WESTON 3239
RONALD W. WESTON 12641

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 17 TWP. 17-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 990' FSL & 1610' FEL

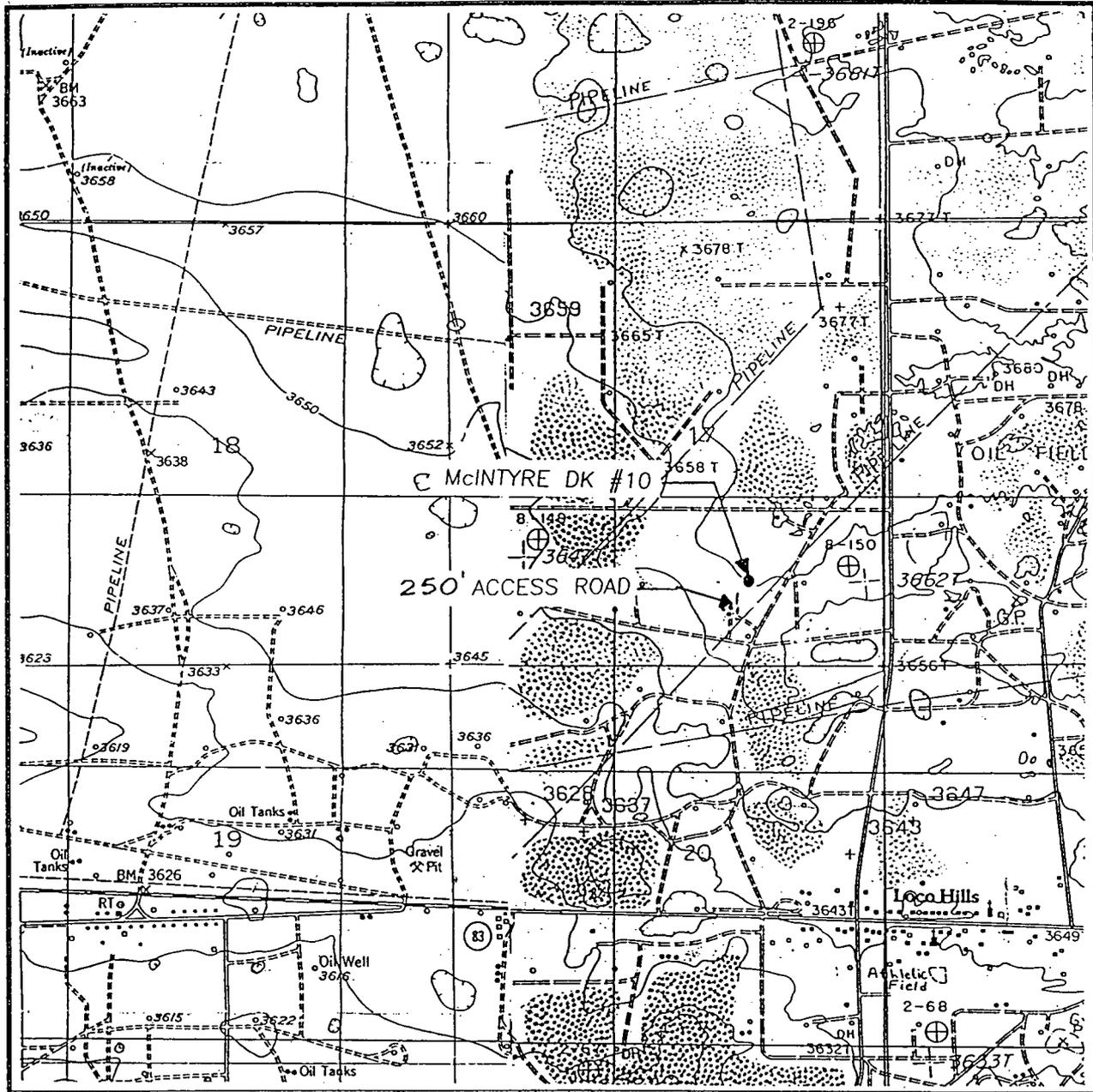
ELEVATION 3671

OPERATOR MACK ENERGY CORPORATION

LEASE McINTYRE DK

**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117**

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
 LOCO HILLS - 10'
 RED LAKE SE - 10'

SEC. 17 TWP. 17-S RGE. 30-E

SURVEY _____ N.M.P.M.

COUNTY _____ EDDY

DESCRIPTION 990' FSL & 1610' FEL

ELEVATION _____ 3671

OPERATOR MACK ENERGY CORPORATION

LEASE _____ McINTYRE DK

U.S.G.S. TOPOGRAPHIC MAP

LOCO HILLS, RED LAKE SE, N.M.

**JOHN WEST ENGINEERING
 HOBBS, NEW MEXICO**

(505) 393-3117

Exhibit C

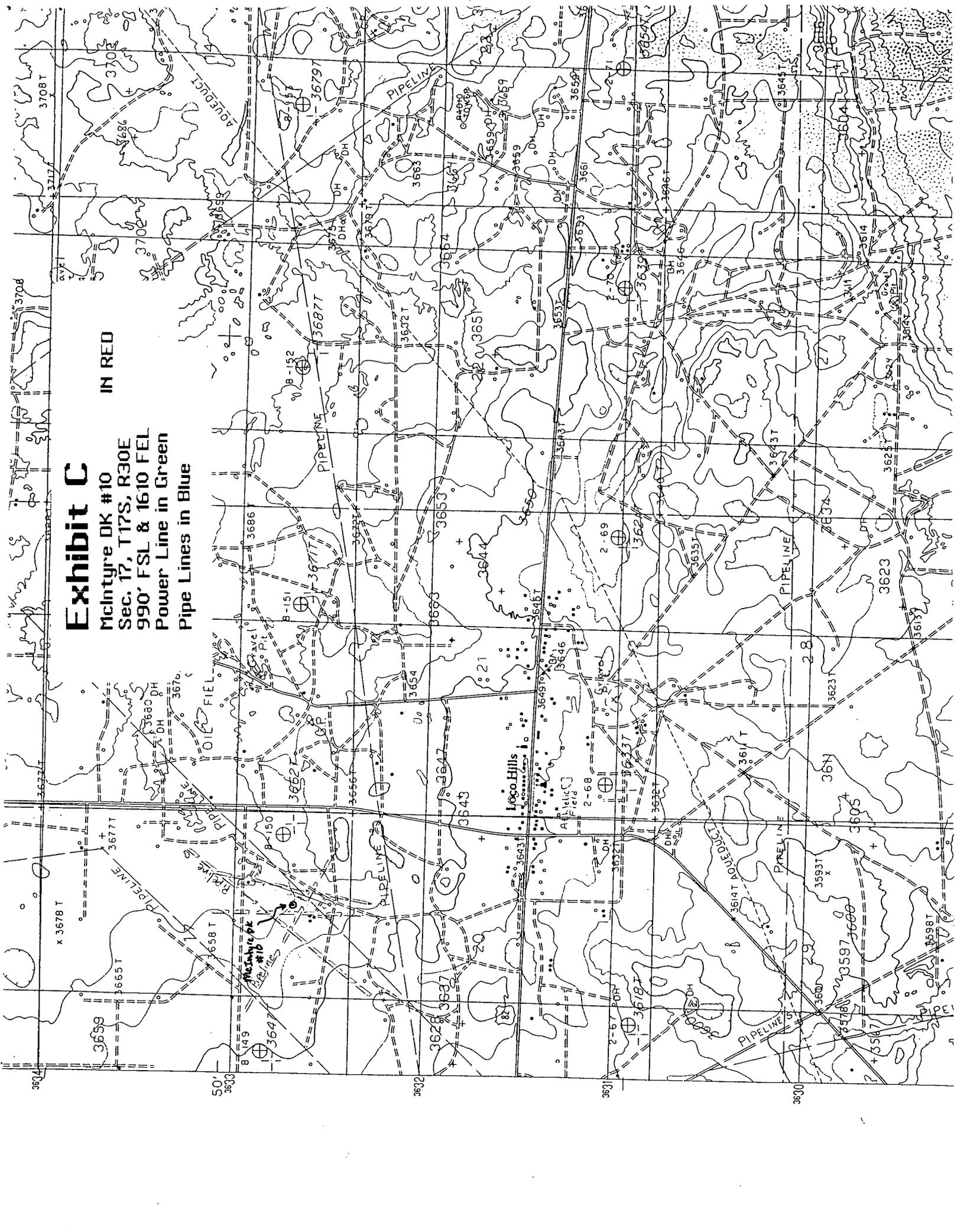
McIntyre DK #10 IN RED

Sec. 17, T17S, R30E

990' FSL & 1610 FEL

Power Lines in Green

Pipe Lines in Blue



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

NOMENCLATURE
CASE NO. 10903
ORDER NO. R-10067

APPLICATION OF MARBOB ENERGY CORPORATION FOR ABOLISHMENT OF
THE GRAYBURG-PADDOCK POOL AND EXTENSION OF THE VERTICAL LIMITS
OF THE GRAYBURG-JACKSON POOL, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 3, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 22nd day of February, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Marbob Energy Corporation (Marbob), seeks an order abolishing the Grayburg-Paddock Pool located in the SE/4 of Section 18, Township 17 South, Range 30 East, and extending the vertical limits of the Grayburg-Jackson Pool to include the Glorieta Yeso (Paddock) formation under the Unit Area which is located in portions of Township 17 South, Ranges 29 and 30 East, NMPM, Eddy County, New Mexico.
- (3) Division Cases Nos. 10903 and 10904 were consolidated at the time of the hearing for the purpose of testimony. The following findings concerning Case No. 10903 are based on exhibits and documents submitted by the applicant and the testimony of the applicant's witnesses.

(4) Marbob is the operator of the Burch-Keely Unit, Grayburg-Jackson Pool, Eddy County, New Mexico which is comprised of 5149.44 acres, more or less, of federal lands which was statutorily unitized pursuant to Oil Conservation Division Order No. R-7900-A dated October 28, 1993. The Unit Area includes only a part of the Grayburg-Jackson Pool. The Unit Area is described in Exhibit "A" attached hereto. A portion of the unit is currently being waterflooded. A planned expansion would extend flood operations to all the unit.

(5) The "Unitized Formation" in the Burch Keely Unit comprises the interval from the top of the Seven Rivers formation to the base of the San Andres formation (which also corresponds with the vertical limits of the Grayburg-Jackson Pool) or to a true vertical depth of 5000 feet, whichever is lesser.

(6) The Grayburg-Paddock Pool was created by Order No. R-1042, dated August 29, 1957. The pool area is entirely within the boundaries of the Burch-Keely Unit. The Paddock formation is also known as the Glorieta Yeso. Only two wells ever produced from the Grayburg-Paddock Pool. Each recovered approximately 5000 barrels of oil and have now been plugged back to the Grayburg-Jackson pool. Four other wells within the Burch-Keely Unit have tested the Paddock formation with indications of production. Maps and cross-sections suggest that the Paddock may be productive all across the Burch-Keely Unit.

(7) Based on estimated recoveries from the Paddock, wells to develop only the Paddock would not be economically feasible. However, the cost of deepening Grayburg-Jackson wells to the Paddock formation could be justified providing the formations could be produced together as a single pool.

(8) If allowed to add the Paddock to the Grayburg-Jackson Pool vertical interval, the operator would keep the wells pumped off to prevent cross flow. The Paddock formation would not be flooded but produced water from the Paddock would be used for the Grayburg-Jackson waterflood. Compatibility tests indicate only minor scaling problems.

(9) The Bureau of Land Management is in agreement with this application and would modify the Unit Agreement to extend the unitized interval to include the Paddock formation.

(10) The top 500 feet of the Paddock formation is the interval which Marbob plans to develop.

(11) Offset operators and other interested persons were notified of this application but none appeared at the hearing to oppose it.

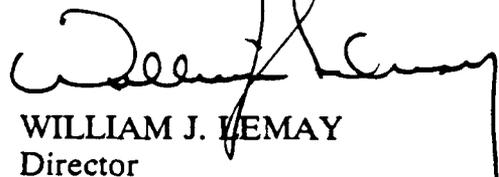
(12) Granting this application will permit Marbob to recover Paddock formation hydrocarbons which might otherwise remain in place.

IT IS THEREFORE ORDERED THAT:

- (1) The Grayburg-Paddock Pool is hereby abolished.
- (2) Within the designated Burch-Keely Unit Area, as described in Exhibit "A" attached hereto, the vertical limits of the Grayburg-Jackson Pool are hereby amended to include that interval from the top of the Seven Rivers formation to 500 feet below the top of the Paddock formation, with the geologic markers for the tops of the Seven Rivers and Paddock formations being found to occur at 1365 feet and 4210 feet, respectively, in the Western Drilling Company, Grayburg Deep Unit Well No. 3 (renamed Marbob, Burch-Keely Unit "A" Well No. 27) located 660 feet from the South line and 660 feet from the East line of Section 18, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, as recorded on the Schlumberger Electric Log dated April 17 and June 20, 1956.
- (3) The pool name within said Burch-Keely Unit Area is hereby changed from the Grayburg-Jackson Pool to the Grayburg-Jackson-Paddock Pool.
- (4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

EXHIBIT "A"
CASE NO. 10903
ORDER NO. R-10067

Marbob Energy Corporation
Burch-Keely Unit Area
Grayburg-Jackson-Paddock Pool

Eddy County, New Mexico

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 12: SE/4 SE/4
Section 13: All
Sections 23 through 26: All

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Sections 18 and 19: All
Section 30: All

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

NOMENCLATURE
CASE NO. 10903
ORDER NO. R-10067-A

APPLICATION OF MARBOB ENERGY CORPORATION
FOR ABOLISHMENT OF THE GRAYBURG-PADDOCK
POOL AND EXTENSION OF THE VERTICAL LIMITS
OF THE GRAYBURG-JACKSON POOL, EDDY COUNTY,
NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-10067 dated February 22, 1994 does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

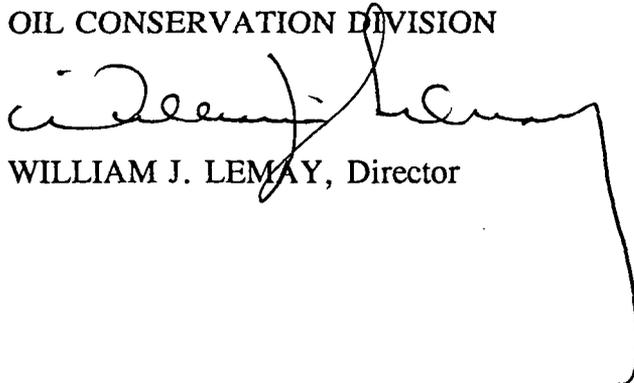
(1) Decretory Paragraph No. (3) on page 3 of said Order No. R-10067 is hereby deleted.

(2) Exhibit "A" attached to said Order No. R-10067 is hereby amended to delete the words "-Paddock Pool".

(3) The corrections set forth in this order be entered nunc pro tunc as of February 22, 1994.

DONE at Santa Fe, New Mexico, on this 1st day of March, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY, Director

S E A L

COUNTY Eddy

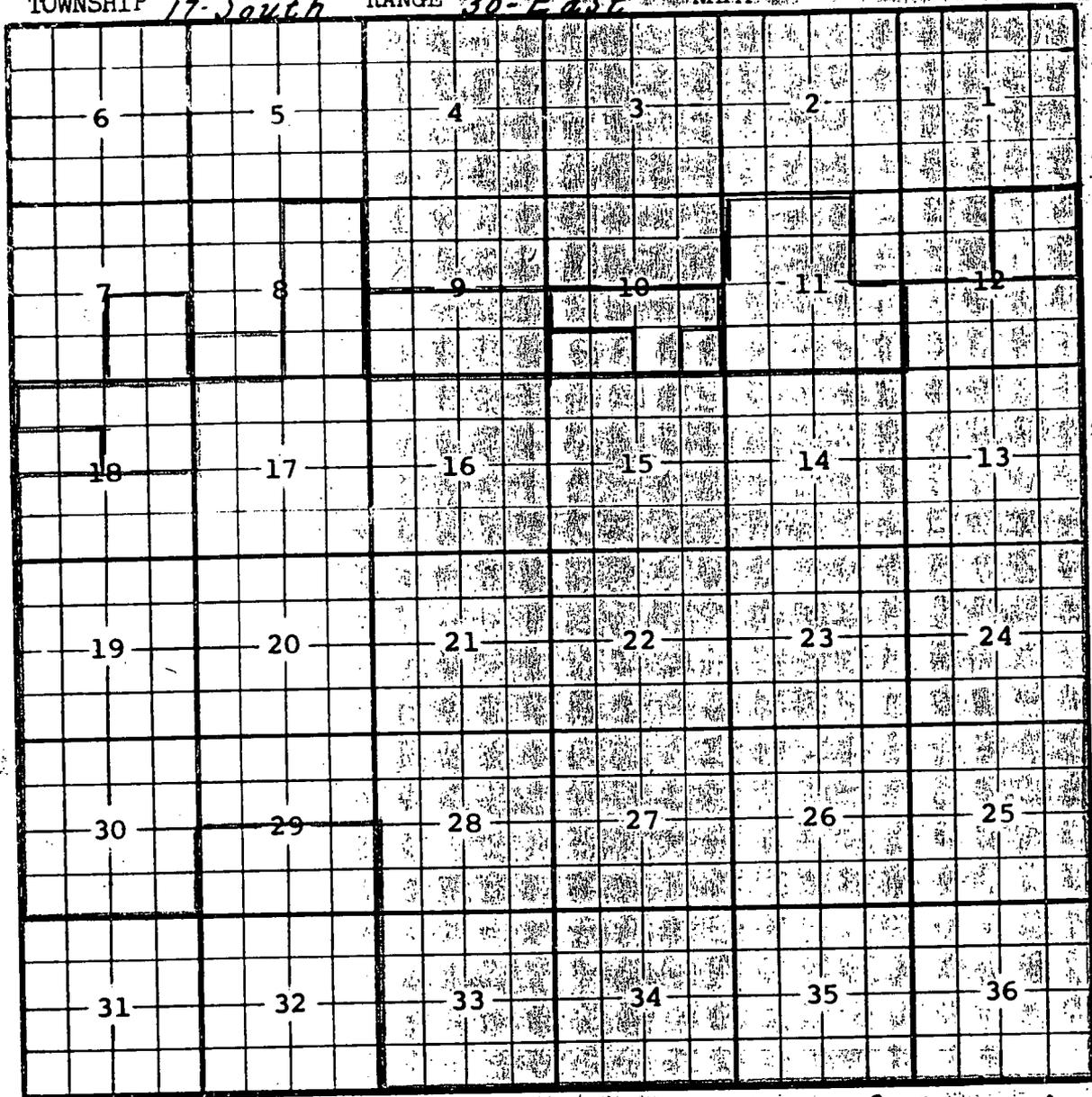
POOL Grayburg/Jackson

(R-G-SA-R)

TOWNSHIP 17-South

RANGE 30-East

NMPM



Description: 1/2 Sec. 12; All Secs. 13, 14, 15, 16, 17; 1/2 Sec. 18; All Secs. 19, 20, 21; 1/2 Sec. 22; 1/2 Sec. 23; 1/2 Sec. 24; 1/2 Sec. 29; All Sec. 30. - 1/2 Sec. 8, (R-561, 12-16-54). - 1/2 Sec. 27; 1/2 Sec. 23; 1/2 Sec. 24; All Secs. 25, 26, 27, 28, 29, 34, 35 & 36, (R-1079, 10-29-57).

Vertical limits include Lower SA (R-1509, 11-1-59). - 1/4 SE 1/4 Sec. 10 (R-2651, 3-1-64) - 1/4 NE Sec. 12 (R-3319, 10-1-67) - 1/4 S NW 1/4 Sec. 18 (R-4194, 10-1-71) - 1/2 SW 1/4 Sec. 10 (R-4232, 1-1-72) - 1/2 S & SW 1/4 Sec. 10; 1/4 NE & 1/4 NW Sec. 18 (R-4291, 5-1-72) - 1/2 Sec. 9 (R-4377, 9-1-72) - 1/4 SE Sec. 7 (R-4437, 12-1-72) Ext: 1/2 SW 1/4 Sec. 8 (R-4937, 2-1-75)

Vertical limits extended to include Seven Rivers Formation except in area of Fren-Seven Rivers Pool (R-5011, 5-6-75)

Ext: W/2, W/2 E/2, and E/2 SE/4 Sec. 11 (R-8484, 8-13-87) Extend vertical limits to include interval from top of Seven Rivers Formation to 500 feet below top of Paddock formation underlying All Secs. 18 and 19, All Sec. 30 (R-10067, 2-22-94)

CMD :
OG6C101

ONGARD
C101-APPLICATION FOR PERMIT TO DRILL

07/02/97 07:56:22
OGOMES -EMFX

OGRID Idn : 13837 API Well No: 30 15 29424 APD Status(A/C/P): A
Opr Name, Addr: MACK ENERGY CORP Aprvl/Cncl Date : 03-05-1997
PO BOX 960
ARTESIA,NM 88211-0960

Prop Idn: 6143 MCINTYRE DK FEDERAL Well No: 10

| | U/L | Sec | Township | Range | Lot | Idn | North/South | East/West |
|----------------|-----|-----|--------------|-------|-------|-----|-------------|--------------|
| | --- | --- | ----- | ----- | ----- | | ----- | ----- |
| Surface Locn : | O | 17 | 17S | 30E | | | FTG 990 F S | FTG 1610 F E |
| OCD U/L : | O | | API County : | 15 | | | | |

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): O Cable/Rotary (C/R) : R
Lease typ(F/S/P/N/J/U/I): F Ground Level Elevation : 3671

State Lease No: Multiple Comp (Y/N) : N
Prpsd Depth : 5500 Prpsd Frmtn : SAN ANDRES

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 PF08 PF09 PRINT PF10 C102 PF11 HISTORY PF12