

ABOVE THIS LINE FOR DIVISION USE ONLY

1201

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. Sherrill
 Print or Type Name

Jerry W. Sherrill
 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

A handwritten signature in cursive script that reads "Jerry W. Sherrell".

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.

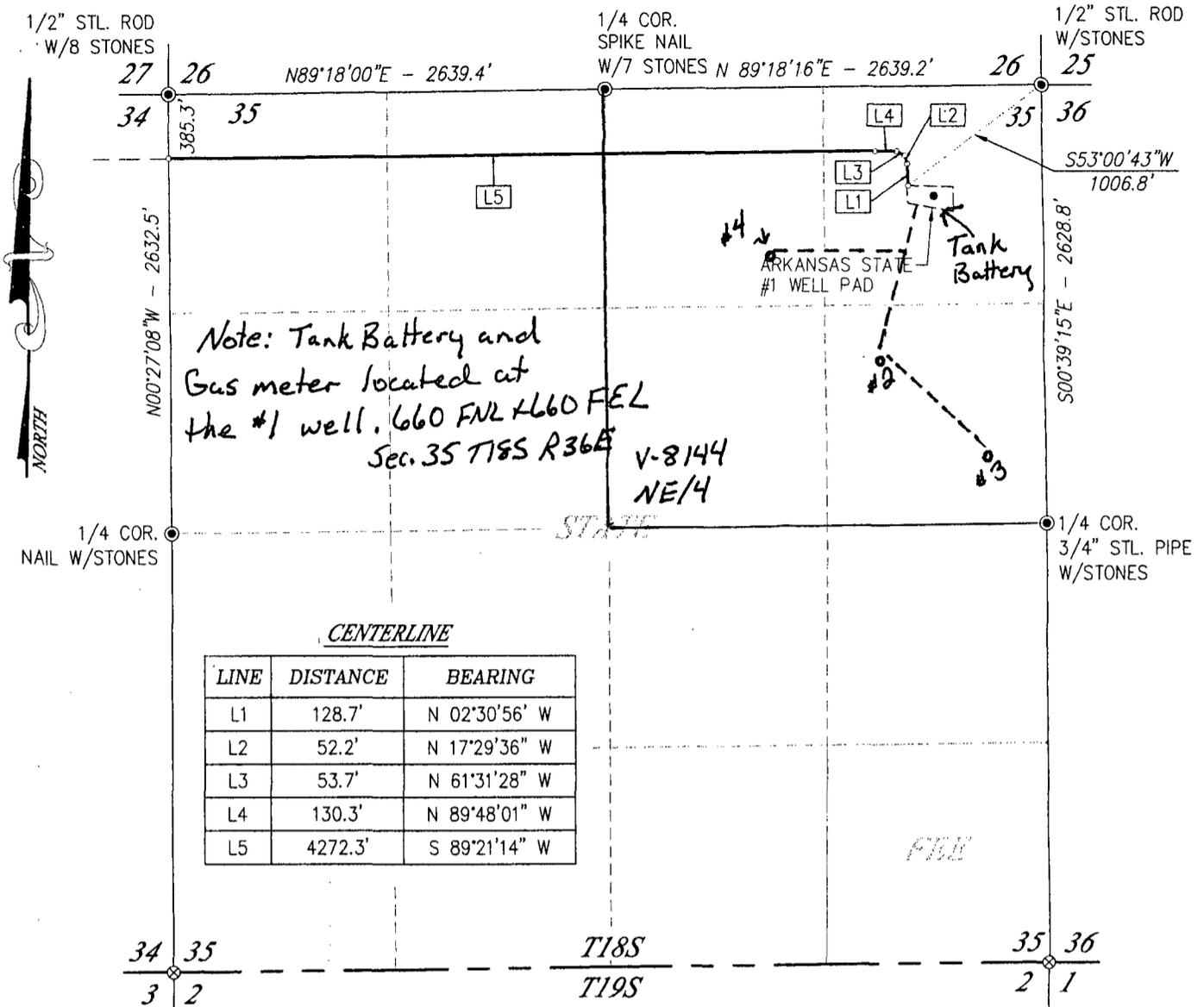


RWL:

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

LEA COUNTY

NEW MEXICO



Note: Tank Battery and Gas meter located at the #1 well. 660 FNL L660 FEL Sec. 35 T18S R36E V-8144 NE/4

CENTERLINE

LINE	DISTANCE	BEARING
L1	128.7'	N 02°30'56" W
L2	52.2'	N 17°29'36" W
L3	53.7'	N 61°31'28" W
L4	130.3'	N 89°48'01" W
L5	4272.3'	S 89°21'14" W

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.

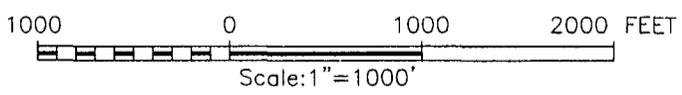
Ronald J. Eidson 2/21/09
 GARY G. EIDSON, N.M., P.S. No. 12641
 RONALD J. EIDSON, N.M., P.S. No. 3239

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

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).

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

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

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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