



P.O. Box 960
Artesia, NM 88211-0960
Office (575) 748-1288
Fax (575) 748-7374

August 30, 2011

VIA CERTIFIED MAIL

Mr. Tom M. Ragsdale
P.O. Box 10303
Midland, Texas 79702

RE: **AFE to Re-Complete**
Cockburn A State #5
1990' FNL and 1980' FWL
Sec. 32, T17S, R33E
Lea County, New Mexico

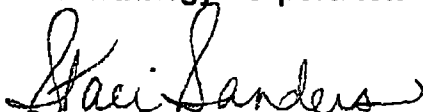
Dear Mr. Ragsdale:

Mack Energy Corporation proposes to re-complete the Cockburn A State #5 well in an attempt to increase production. The well was not frac'd in the initial completion so Mack Energy plans to frac the existing producing zone being the Abo formation. Our AFE (in duplicate) has been enclosed for your review and approval.

If you wish to join, please execute and return one AFE to the undersigned keeping the other for your records. If you have any questions regarding this AFE please contact Lee Livingston at (575) 748-1288.

Sincerely,

Mack Energy Corporation


Staci Sanders
Land Department

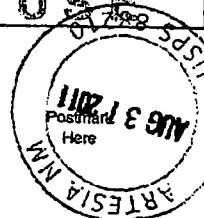
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Enclosures

Oil Conservation Division
Case No. 2 14763
Exhibit No. 2

7009 2820 0004 4193 9105

U.S. Postal Service	
CERTIFIED MAILTM RECEIPT	
<i>(Domestic Mail Only; No Insurance Coverage Provided)</i>	
For delivery information visit our website at www.usps.com	
OFFICIAL USE	
Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 10.23
Sent To	
Mr. Tom M. Ragsdale	
P.O. Box 10303	
Midland, Texas 79702	
PS Form 3809, August 2005	
See Reverse for Instructions	

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Tom M. Ragsdale
P.O. Box 10303
Midland, Texas 79702

AFK-Cockburn A State #5

2. Article Number
(Transfer from service label)

7009 2820 0004 4193 9105

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *P. M. Miller*

B. Received by (Printed Name)

P. M. Miller

C. Date of Delivery

1029-476

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

MACK ENERGY CORPORATION
AUTHORIZATION FOR EXPENDITURE

Cockburn State #5
PBD 10,804'
1980' FNL & 1980' FWL
Sec. 32, T17S, R33E, Lea County, New Mexico

Code	Drilling Intangible	Dry Hole Without Pipe	Completed Well	Actual Cost
502-015	Administrative Overhead Drilling	\$0.00	\$0.00	\$0.00
502-020	Location, Roads, Pits, & Damages	\$0.00	\$0.00	\$0.00
502-100	Footage	\$0.00	\$0.00	\$0.00
502-110	Daywork \$0 \$0.00	\$0.00	\$0.00	\$0.00
502-114	Rental Equipment Surface	\$0.00	\$0.00	\$0.00
502-115	Rental Equipment SubSurface	\$0.00	\$0.00	\$0.00
502-116	Bits	\$0.00	\$0.00	\$0.00
502-120	Water-Drilling	\$0.00	\$0.00	\$0.00
502-125	Mud Materials	\$0.00	\$0.00	\$0.00
502-200	Cement-- Surface and Intermediate	\$0.00	\$0.00	\$0.00
502-201	Cement-- Production	\$0.00	\$0.00	\$0.00
502-204	Fuel & Power	\$0.00	\$0.00	\$0.00
502-205	Supplies & Misc.	\$0.00	\$0.00	\$0.00
502-500	Testing, Coring, & Mud Logging	\$0.00	\$0.00	\$0.00
502-600	Open Hole Logs/Wireline	\$0.00	\$0.00	\$0.00
502-650	Directional Drillers	\$0.00	\$0.00	\$0.00
502-681	Supervision	\$0.00	\$0.00	\$0.00
502-682	Trailer Rentals & Other Camp Equip.	\$0.00	\$0.00	\$0.00
	Miscellaneous and Contingency	\$0.00	\$0.00	\$0.00

Code	Total Drilling Intangibles	\$0.00	\$0.00	\$0.00
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Completion Intangibles				
502-015	Administrative Overhead Completion	\$0.00	\$1,000.00	\$1,000.00
502-021	Battery Construction-Dirt Work,Etc	\$0.00	\$0.00	\$0.00
502-103	Completion Unit	\$0.00	\$20,100.00	\$20,100.00
502-210	Fuel, Water, Power	\$0.00	\$14,900.00	\$14,900.00
502-350	Completions Surface Rentals	\$0.00	\$20,713.00	\$20,713.00
502-360	Completions SubSurface Rentals	\$0.00	\$2,307.00	\$2,307.00
502-601	Perforating and Logging	\$0.00	\$10,500.00	\$10,500.00
502-610	Frac and/or Acid Treatment	\$0.00	\$133,602.00	\$133,602.00
502-680	Professional Services	\$0.00	\$6,250.00	\$6,250.00
502-700	Miscellaneous Services	\$0.00	\$0.00	\$0.00
	Contingency	\$0.00	\$20,837.20	\$20,837.20

Code	Total Completion Intangibles	\$0.00	\$230,209.20	\$230,209.20
	Total Intangibles	\$0.00	\$230,209.20	\$230,209.20

Drilling and Completion Tangibles				
170-105	Surface Casing 456' 13 3/8"	\$0.00	\$0.00	\$0.00
170-110	Intermediate Casing 5270' 9 5/8"	\$0.00	\$0.00	\$0.00
170-115	Production Casing 10817' 5 1/2" 17# N-80	\$0.00	\$0.00	\$0.00
170-115	Production Liner 0 0	\$0.00	\$0.00	\$0.00
170-120	Production Tubing 8922' 2 7/8" 6.5# L-80	\$0.00	\$0.00	\$0.00
170-125	Wellhead Equipment-- Long String	\$0.00	\$0.00	\$0.00
170-126	Wellhead Equipment-- Surface & Intermediate	\$0.00	\$0.00	\$0.00
170-130	Floating Equipment-- Long String	\$0.00	\$0.00	\$0.00
170-131	Floating Equipment-- Surface & Intermediate	\$0.00	\$0.00	\$0.00
170-135	Rods	\$0.00	\$0.00	\$0.00
170-140	Subsurfaces Equipment	\$0.00	\$3,500.00	\$3,500.00
170-145	Linepipe	\$0.00	\$0.00	\$0.00
170-150	Tanks, Treater, Separators	\$0.00	\$0.00	\$0.00
170-155	Pumping Unit And Engine	\$0.00	\$0.00	\$0.00
170-160	Other Miscellaneous Equipment	\$0.00	\$0.00	\$0.00
	Contingency	\$0.00	\$350.00	\$350.00

Total Tangible	\$0.00	\$3,850.00	\$3,850.00
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TOTAL WELL COSTS	\$0.00	\$234,059.20	\$234,059.20
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Prepared By: Kevin Garrett

Total Contingency: \$21,187.20
Total w/o Contingency: \$212,872.00

Interest Owner: TOM M. RAGSDALE

Interest: 6.25% WI

Approved By: _____

Date: _____



P.O. Box 960
Artesia, NM 88211-0960
Office (575) 748-1288
Fax (575) 748-7374

December 7, 2011

Via Federal Express

Mr. Tom M. Ragsdale
601 N. Marienfeld, Suite 300
Midland, Texas 79701

RE: Operating Agreement
Cockburn A State and State CD Wells
Section 32, T17S-R33E
Lea County, New Mexico

Dear Mr. Ragsdale:

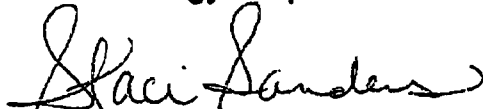
Please find enclosed an Operating Agreement (OA) and extra signature page covering the acreage for the Cockburn A State and State CD wells. This OA is being provided pursuant to your pre-hearing statement faxed to James Bruce on November 23, 2011, in response to our compulsory pooling application. We would like to resolve this matter and avoid going to hearing.

If this OA meets with your approval please have the extra signature pages executed and return to my attention at your earliest convenience. A copy of the fully executed signature pages will be furnished as soon as they are complete.

If you have any questions please don't hesitate to call. Your assistance is greatly appreciated.

Sincerely,

Mack Energy Corporation


Staci Sanders
Land Department

/ss

Enclosures



**Shipment Receipt
Address Information**

Ship to:	Ship from:
Tom M. Ragsdale	Staci Sanders
	Mack Energy Corporation
601 N. Marienfeld	11352 Lovington HWY
Suite 300	
Midland, TX	Artesia, NM
79701	88210
US	US
432-687-6600	5757481288

Shipping Information

Tracking number: 797814433070
 Ship date: 12/07/2011
 Estimated shipping charges: 15.98

Package Information

Service type: Priority Overnight
 Package type: FedEx Envelope
 Number of packages: 1
 Total weight: 0.50LBS
 Declared value: 0.00USD
 Special Services:
 Pickup/Drop-off: Use an already scheduled pickup at my location

Billing Information

Bill transportation to: MyAccount-171
 Your reference:
 P.O. no.:
 Invoice no.:
 Department no.:

Thank you for shipping online with FedEx ShipManager at fedex.com.

Please Note

FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$500, e.g., jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits. Consult the applicable FedEx Service Guide for details. The estimated shipping charge may be different than the actual charges for your shipment. Differences may occur based on actual weight, dimensions, and other factors. Consult the applicable FedEx Service Guide or the FedEx Rate Sheets for details on how shipping charges are calculated.

Staci Sanders

From: Joel Carson
Sent: Tuesday, January 03, 2012 2:17 PM
To: Lee Livingston (leel@mec.com); Staci Sanders
Subject: see below

Matt Doffer contacted me after we had submitted an AFE to Toms Ragsdale. He wanted to know what the plan was on the Cockburn A State #5. I told him that we were planning on fracing the existing producing Abo zone. I told we were doing this to increase production. I also told him about the size of the frac job; a 7 tank 250,000# 25# borate x-link job. Matt then stated that the plan sounds good and will talk with Tom Ragsdale about getting the AFE signed. A few weeks went by with no word from Matt or Tom. I then contacted Matt and asked him if Tom had signed the AFE yet. Matt said he had not signed it yet and would try to talk with Tom that afternoon to get it signed. End Phone Call. Later that morning I called Matt back and let him that I would have people that work for MEC stop by and pick up the AFE that afternoon. It was at that point that the Matt notified me that Tom wanted more time to review the AFE and would not be signing it at that time. I have not heard back from Matt or Tom since that phone call. In all my contacts with Mr. Ragsdale's employees, nobody ever told me that they disagreed with the frac job or that it was scientifically a bad idea.

Joel M. Carson III
General Counsel
Mack Energy Corporation
575-748-1288

Before
Thanksgiving
11/21/11

Tom Zabel, Tom Ragsdale's lawyer called me to talk about the AFE we sent for the Cockburn A State #5. We discussed the fact that the Operating Agreement we found in the county records is basically an Assignment and not an Operating Agreement. I told Mr. Zabel that we had filed an application for Compulsory Pooling since there really isn't a JOA governing this well and we can't get an answer from Tom Ragsdale. Mr. Zabel suggested I send an OIA to Mr. Ragsdale so we could get one in place and I agreed and told him I would send one. Mr. Zabel said he was going to Tom Ragsdale and hopefully we could avoid a hearing.

12/28/11
1:21 pm

I called Tom Ragsdale's office. The receptionist advised Mr. Ragsdale was not in the office. I told her I was calling to see if Tom had reviewed our JOA and to see if we could get something worked out to avoid going to hearing. The receptionist told me to call his cell phone as he was in Houston for the week.

12/28/11
1:22 pm

I called Tom Ragsdale on his cell phone. I got his voice mail so I left him a message asking him to return my call. Told him I was hoping to get the OIA resolved so we could avoid the hearings.

1/3/12 Tom Ragsdale returned my call while I was
11:43 am at lunch and asked that I call him back.

1/3/12 I returned Tom Ragsdale's call and got
12:50 pm his voice mail again. I left a message
asking him to return my call. I reminded
him that the hearing was on Jan. 5th.

1/3/12 Tom Ragsdale returned my call. I told Tom
3:31 pm we are hoping to get everything resolved to
avoid going to hearing. I told him we
only want to frac the well to increase production
which is good for all parties involved. We discussed
that the DA we found was not really an DA and
I told him that is why we proceeded to file for
the hearing so that we could handle everything
legally. Mr. Ragsdale said he thought we
operating the wells illegally since we did not
have an DA. I told him I did not believe that
to be true because we purchased the well in
question, others from him and that he was
aware of everything we were doing. I reminded
him we credited his JIB account with
\$33,333.34, which was because of the work
that was going to be done on the wells. He
agreed that was true. I also told him he had
paid his JIB's, signed Division Orders and

3/12(cont'd) received revenue for the well and has never called to protest anything. I told him we all thought there was a JOA, but just not in the records provided by him.

Mr. Ragsdale ask that we make a proposal and I advised we already have by way of the AFE and then the OA. He repeated himself again and I repeated myself and told him that we will proceed with the hearing if we could not come to an agreement. Mr. Ragsdale said he would talk to his lawyers and that someone would call me back the next day. I advised I would be on the road going to Santa Fe for prehearing preparation and gave him my cell phone number and my e-mail address so he could contact me. End of telephone conversation.