

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. OIL CONSERVATION DIVISION

811 S. FIRST STREET

ARTESIA, NM 88210

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Mack Energy Corporation

3a. Address

P.O. Box 960 Artesia, NM 88210-0960

3b. Phone No. (include area code)

(575) 748-1288

4. Location of Well (Footage, Sec., T.R.M. or Survey Description)

2428 FSL & 1154 FEL Sec. 6 T13S R29E

Lease Serial No.

NMNM-120891

6. If Indian, Allottee or Tribe Name

7. If Unit of CA/Agreement, Name and/or No.

8. Well Name and No.

Monopoly Federal #1

9. API Well No.

30-005-63007

10. Field and Pool or Exploratory Area

Wildcat; San Andres

11. Country or Parish, State

Chaves, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Build Fresh Water
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Frac Pit
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Mack Energy Corporation proposes to Build and Maintain a lined Fresh Water Frac Pit at this location.

This pit will be filled by transport trucks. Water will be purchased from a(undesignated at this time) source in the area.

Pit must be closed and reclaimed as per BLM requiremnts.

See attached Plat.

UDate 5/24/2013
Accepted for record
NMOCD

APPROVED SUBJECT TO ATTACHED
CONDITIONS OF APPROVAL

RECEIVED
MAY 24 2013
NMOCD ARTESIA

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Jerry W. Sherrell

Title Production Clerk

Signature

Jerry W. Sherrell

Date 1/31/13

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

IS/ Angel Mayes

Assistant Field Manager,
Lands And Minerals

Date MAY 22 2013

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

ROSWELL FIELD OFFICE

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for my person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

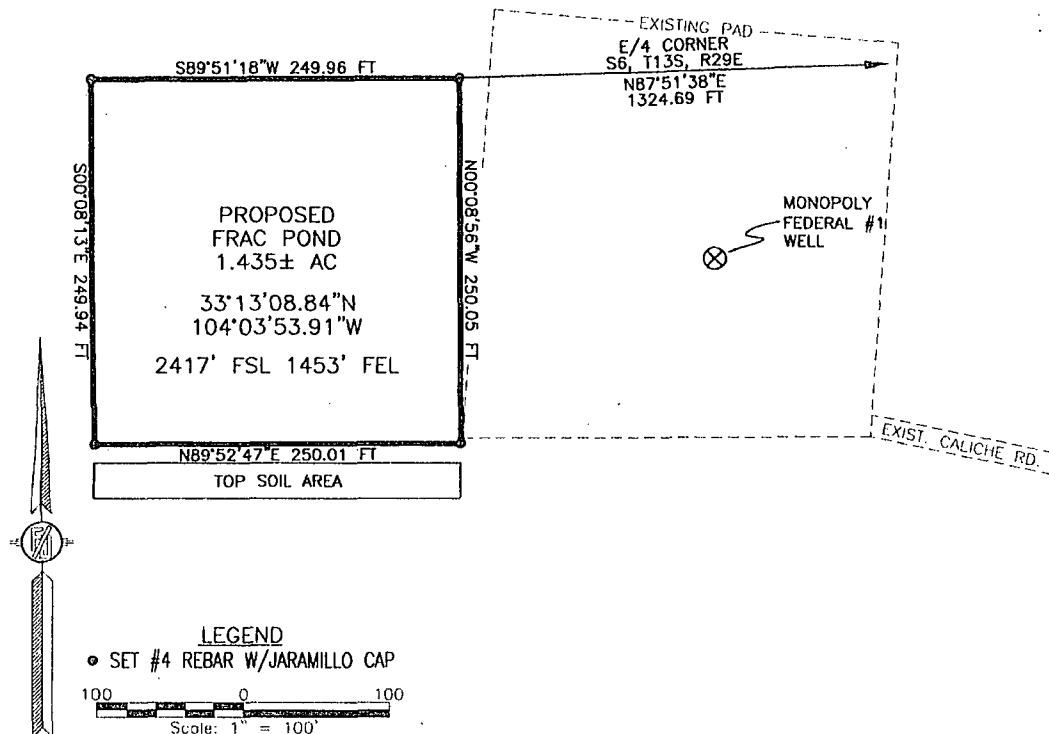
(Instructions on page 2)

MONOPOLY FEDERAL #1 FRAC POND

MACK ENERGY

IN THE NE/4 NW/4 SE/4 OF
SECTION 6, TOWNSHIP 13 SOUTH, RANGE 29 EAST, N.M.P.M.
CHAVES COUNTY, STATE OF NEW MEXICO

JANUARY 23, 2013



DESCRIPTION

A CERTAIN PIECE OR PARCEL OF LAND AND REAL ESTATE LYING IN THE NE/4 NW/4 SE/4 OF SECTION 6, TOWNSHIP 13 SOUTH, RANGE 29 EAST N.M.P.M., CHAVES COUNTY, NEW MEXICO.

BEGINNING AT THE NORTHEAST CORNER OF THE PARCEL, WHENCE THE EAST QUARTER CORNER OF SECTION 6, TOWNSHIP 13 SOUTH, RANGE 29 EAST, N.M.P.M. BEARS N87°51'38"E, A DISTANCE OF 1324.69 FEET;
THENCE S89°51'18"W A DISTANCE OF 249.96 FEET TO THE NORTHWEST CORNER OF THE PARCEL;
THENCE S00°08'13"E A DISTANCE OF 249.94 FEET TO THE SOUTHWEST CORNER OF THE PARCEL;
THENCE N89°52'47"E A DISTANCE OF 250.01 FEET TO THE SOUTHEAST CORNER OF THE PARCEL;
THENCE N00°08'56"W A DISTANCE OF 250.05 FEET TO THE NORTHEAST CORNER OF THE PARCEL, THE POINT OF BEGINNING;
CONTAINING 1.435 ACRES MORE OR LESS.

GENERAL NOTES

1.) THE INTENT OF THIS SURVEY IS TO ACQUIRE A BUSINESS LEASE FOR THE PURPOSE OF BUILDING A FRAC. POND

2.) BASIS OF BEARING IS NEW MEXICO STATE PLANE EAST ZONE

SURVEYOR CERTIFICATE

I, FILMON F. JARAMILLO, A NEW MEXICO PROFESSIONAL SURVEYOR NO. 12797, HEREBY CERTIFY THAT I HAVE CONDUCTED 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 LAND SURVEYING IN THE STATE OF NEW MEXICO.

IN WITNESS WHEREOF, THIS CERTIFICATE IS EXECUTED AT CARLSBAD,

NEW MEXICO, THIS 28 DAY OF JANUARY 2013

FILMON F. JARAMILLO PLS. 12797

MADRON SURVEYING, INC.
301 SOUTH CANAL
CARLSBAD, NEW MEXICO 88220
Phone (575) 234-3341

SURVEY NO. 1632

SHEET 1-3

MADRON SURVEYING, INC.

301 SOUTH CANAL
(575) 234-3341

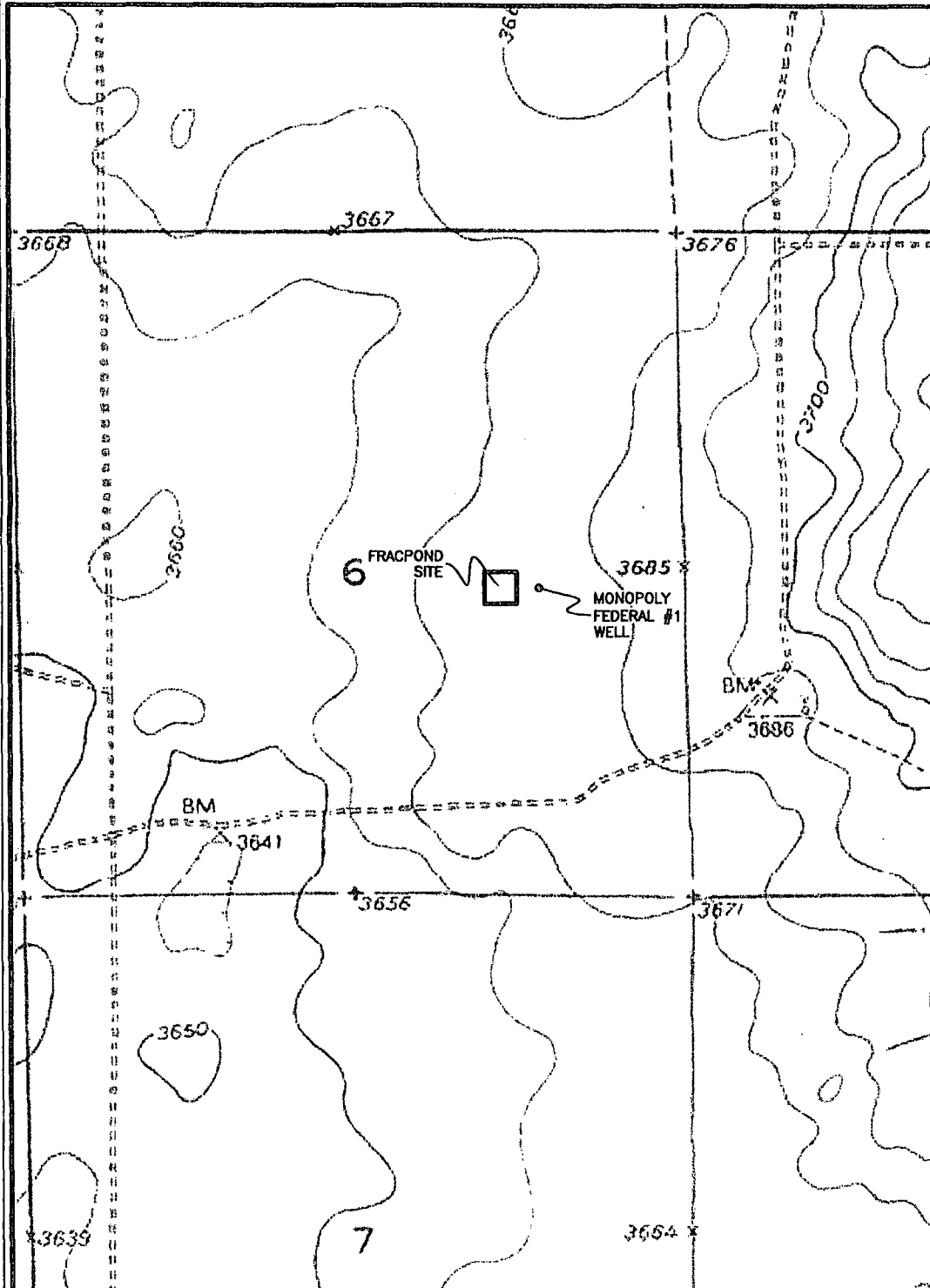
CARLSBAD, NEW MEXICO

MONOPOLY FEDERAL #1 FRAC POND

MACK ENERGY
IN THE NE/4 NW/4 SE/4 OF
SECTION 6, TOWNSHIP 13 SOUTH, RANGE 29 EAST, N.M.P.M.
CHAVES COUNTY, STATE OF NEW MEXICO

JANUARY 23, 2013

QUAD MAP



SHEET 3-3

MADRON SURVEYING, INC.

301 SOUTH CANAL
(575) 234-3341

CARLSBAD, NEW MEXICO

SURVEY NO. 1532

EXHIBIT B

BLM LEASE NUMBER: NM-120891 and Federal minerals File Code: 3160

COMPANY NAME: Mack Energy Corporation

ASSOCIATED WELL NAME: Frac pond for Monopoly Federal #1

CONDITIONS OF APPROVAL

PALEONTOLOGICAL RESOURCES

If previously undocumented paleontological sites are encountered during construction, the project proponent will immediately stop all construction activities in the immediate vicinity of the discovery. The proponent will then immediately notify the paleontological monitor (if required), or the BLM/RFO paleontology resource staff. It is necessary to protect fossil material and their geological context upon discovered during construction. The BLM would then evaluate the site. Should the discovery be evaluated as significant, it will be protected in place until mitigation measures can be developed and implemented according to guidelines set by the BLM. Mitigation measures such as data and fossil recovery may be required by the BLM to prevent impacts to newly identified paleontological resources.

WASTES, HAZARDOUS AND SOLID

Waste materials produced during all phases of operation will be disposed of promptly in an approved manner so it will not impact the air, soil, water, vegetation or animals. "Waste" means all discarded matter including, but not limited to, human waste, trash, garbage, refuse, oil drums, petroleum products, ashes and equipment. All liquid waste, completion fluids and drilling products associated with oil and gas operations will be contained and then removed and deposited in an approved disposal site. Portable toilets will remain on site throughout well pad construction, drilling and reclamation.

The operator and contractors shall ensure that all use, production, storage, transportation and disposal of hazardous materials, solid wastes and hazardous wastes associated with the drilling, completion and production of this well will be in accordance with all applicable existing or hereafter promulgated federal, state and local government rules, regulations and guidelines. All project related activities involving hazardous materials will be conducted in a manner to minimize potential environmental impacts. A file will be maintained onsite containing current Material Safety Data Sheets (MSDS) for all chemicals, compounds and/or substances which are used in the course of construction, drilling, completion and production operations.

Proper containment of fuels, oil and other hazardous materials in appropriately designed and maintained storage facilities and an immediate response in the event of a release would greatly reduce any potential impacts.

Mitigation would be added to require the operator and contractors to ensure all production, use, storage, transportation and disposal of hazardous materials, solid waste and hazardous waste is in accordance with all applicable Federal, State and local laws, regulations and guidelines.

Hazardous materials are chemicals listed in Title III List of Lists, EPA's Consolidated List of Chemicals Subject to Emergency Planning and the Community Right to Know Act (EPCRA) and Section 112(r) of the Clean Air Act, as amended, or the 40CFR 302.4 Table (List of Hazardous Substances and Reportable Quantities) as amended. In the event any hazardous materials are used, they would be handled in an appropriate manner to prevent environmental contamination. Any release of hazardous materials of reportable quantities would be reported both to the National Response Center (NRC), as required in the National Oil and Hazardous Materials Contingency Plan (40 CFR 300), and the Roswell Field Office, as per the Hazardous Materials Contingency Plan and NTL 3-A.

Invasive, Non-native Species

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

Wildlife

Netting storage tanks in support of the frac pond would alleviate losses of wildlife species. Interim reclamation and final rehabilitation through revegetation would return to wildlife previous levels.

FRAC POND CONDITIONS OF APPROVAL

A copy of the application Sundry Notice and attachments, including stipulations, survey plat and diagram, will be on location during construction. BLM personnel may request to see a copy of your permit during construction to ensure compliance with all conditions of approval.

Holder agrees to comply with the following conditions of approval to the satisfaction of the Authorized Officer:

1. The Holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this permit.
2. The Holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated.
3. Required Standard Conditions of Approval:
 - a. **Notification**
Contact the Petroleum Engineering Technician at 575-627-0272 at least 24 hours prior to starting construction.
 - b. **Freshwater Only**

The frac pond will only be authorized to contain freshwater and testing of water quality is required. Mixing or additives to the frac pond are not allowed without consent of the authorized officer in writing. All mixing or additives will occur in the closed system or steel tanks and not in the frac pond.

c. **Identification of Fresh Groundwater Well Source Location or Fresh Water Surface Source Water Location**

Fresh water will be obtained from the fresh water Double Eagle Groundwater Well system managed by the City of Carlsbad located in Eddy County.

d. **Contamination**

If at any time the water in the frac pond becomes polluted with salts or other contaminants, use of the frac pond will cease and desist, and all liquids will be removed from the frac pond and disposed of properly. The operator will preclude releases of oil into open pits. The operator must remove any accumulation of oil, condensate, or contaminant in a pit within 48 hours of discovery.

e. **Authorized Disturbance**

Confine all construction and maintenance activity to the approved authorized area applied for in the application.

f. **Facilities**

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations. Grey-water, sewage, and trash shall be removed from the site and disposed of properly at a state approved facility.

g. **Escape Ramps**

The operator will construct and maintain frac ponds to prevent livestock, wildlife, and humans from becoming entrapped. At a minimum, the operator will construct and maintain escape ramps, ladders, or other methods of avian and terrestrial wildlife escape in frac ponds. Escape ramps must be installed at every corner of the frac pond and in the center of each side if that side exceeds 100 feet in length. Escape ramps must be in contact with the side of the frac pond, bottom of the frac pond, and the top of the frac pond berm. Escape ramps cannot be made of metal and cannot be steeper than a 3:1 slope (Horizontal Distance: Vertical Distance) or 30% slope. (*Examples of escape ramps: 12" wide wooden planks wrapped in matting, burlap, felt lining, etc.*)

h. **Frac Pond Pipelines**

Temporary pipelines flowing from the frac pond to the target well will be laid along existing roadways unless an exception has been granted by the authorized officer in writing.

i. **Containment Structures**

The containment structure shall be constructed to hold the capacity of the entire contents of the frac pond, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

j. **Mineral Material from Excavation**

Mineral materials extracted during construction of the frac pond will be stored on-location and/or used for constructing the frac pond.

k. **Frac Pond Liner**

The frac pond will be lined with at least a 30 mil. plastic liner. The plastic lining will be removed prior to final abandonment.

l. **Topsoil Stockpile**

The operator shall strip at least the top 6 inches of soil (root zone) from the entire frac pond area and stockpile the topsoil approximately 25 feet outside the bermed perimeter of the pond in a low profile manner, reasonably protected from wind and water erosion. The stockpiled topsoil shall not be used for constructing the frac pond. The topsoil will be used for final reclamation purposes only.

m. Frac Pond Fence

The operator will install and maintain enclosure fencing on all sides of the frac pond to prevent access to public, livestock, and large forms of wildlife. The fence shall be installed at the base of the berm and never on top of the berm. Construction of the fence shall consist of steel and/or wooden posts set firmly into natural ground. Hog panel or chain-link fencing must be used as the fence and tied securely to the fence posts. Barbed-wire fencing or electric fences shall not be used. The fence height shall not be shorter than eight (8) feet. The erected fence shall be maintained in adequate condition until the frac pond is reclaimed.

n. Erosion Prevention

Install earthen erosion-control structures as are suitable for the specific terrain and soil conditions. The stockpiled topsoil shall not be used for constructing the earthen erosion-control structures. The topsoil will be used for final reclamation purposes only.

o. Reclamation Start

- I. Reclamation efforts will commence immediately after the frac pond is no longer needed for the purpose of completing wells.
- II. Within 3 months of completion of frac operations on associated wells, all earthwork and final reclamation must be completed. This includes reclaiming and/or removal of:
 - i. Any roads approved for use with the pond
 - ii. Surface water lines
 - iii. Tanks, pumps, fencing etc.

Requirements for Operations and Final Reclamation:

4. If, during any phase of the construction, operation, maintenance, or termination of the frac pond, any pollutant should be released from the contaminated frac pond, the control and total removal, disposal, and cleaning up of such pollutant, wherever found, shall be the responsibility of holder, regardless of fault.

Upon failure of holder to control, dispose of, or clean up such discharge, or to repair all damages resulting therefrom, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve holder of any responsibility as provided herein.

5. Any cultural and/or paleontological resources (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf shall be immediately reported to the Authorized Officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery will be made by the Authorized Officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the Authorized Officer after consulting with the holder.

6. The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

7. After all disturbed areas have been satisfactorily contoured and prepared for seeding the location needs to be revegetated with the seed mixture provided. Seeding may need to be repeated until revegetation is successful. Operators shall the Roswell Field Office at 575-627-0250 **prior** to beginning surface reclamation operations.

8. Seeding is required: Use the following seed mix.

- | | |
|---|--|
| <input type="checkbox"/> seed mixture 1 | <input type="checkbox"/> seed mixture 3 |
| <input type="checkbox"/> seed mixture 2 | <input type="checkbox"/> seed mixture 4 |
| <input checked="" type="checkbox"/> LPC mixture | <input type="checkbox"/> Aplomado Falcon mix |

SPECIAL CONDITIONS OF APPROVAL

Lesser Prairie-Chicken

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken:

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1 through June 15 annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and frac pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Dune Sagebrush Lizard: Within Dune Sagebrush Lizard Suitable Habitat

In addition to the fence requirements above, the operator must install a reptile enclosure fence (*Example: silt fence*). The reptile enclosure fence must be in contact with the soil at all times around the entire frac pond.

PECOS DISTRICT
SEED MIX FOR

The following Soils or Soil associations may represent these ecological sites:
Alama-Poquita, Alama-Reeves, Anthony sandy loam, Berino, Blakeney-Ima, Cacique, Dona Ana,
Glendale-Hurkey, Hurkey sandy loam, Karro loam, Kermit-Berino fine sands, Moberlie fine sandy loam,
Pajarito-Bluepoint, Poquita, Potter-Simona complex, Sharvana-Redona, Simona, Simona-Bippus complex,
Sotim-Berino, Sotim-Simona association, moderately undulating, Tonuco loamy sands, Vinton

Ecological Site: Shallow Sand SD-3
Ecological Site: Sandy SD-3

April 4, 2006

<u>Common Name and Preferred Variety</u>	<u>Scientific Name</u>	<u>Pounds of Pure Live Seed Per Acre</u>
Black grama or Blue grama,	(<i>Bouteloua eriopoda</i>) (<i>Bouteloua gracilis</i>)	3.0
Sideoats grama	(<i>Bouteloua curtipendula</i>)	2.0
Sand dropseed or Mesa dropseed or Spike dropseed	(<i>Sporobolus cryptandrus</i>) (<i>S. flaccidus</i>) (<i>S. contractus</i>)	1.5
Desert or Scarlet Globemallow	(<i>Sphaeralcea ambigua</i>) or (<i>S. coccinea</i>)	1.0
Croton	(<i>Croton</i> spp.)	1.0
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE Certified Weed Free Seed		8.5

IF ONE SPECIES IS NOT AVAILABLE,
INCREASE ALL OTHERS PROPORTIONATELY

Use no less than 4 species, including 1 forb

No less than 8.5 pounds pls per acre shall be applied