RECEIVED
JAN 02 2013
NMOCD ARTESIA

N.M. OIL CONSERVATION DIVISION
811 S. FIRST STREET
ARTESIA, NM 88210

Form 3160 -3
(April 2004)

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NMNM-4433

6. If Indian, Allotee or Tribe Name:

TES 1/3/2013

1a. Type of work: [X] DRILL [ ] REENTER

7. If Unit or CA Agreement, Name and No.:

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

8. Lease Name and Well No.: Calgary Federal #2H <37615>

2. Name of Operator: Mack Energy Corporation <13837>

9. API Well No.: 30-005-64160

3a. Address: P.O. Box 960 Artesia, NM 88211-0960

3b. Phone No. (include area code): (575)748-1288

10. Field and Pool, or Exploratory: Round Tank; San Andres <52770>

4. Location of Well (Report location clearly and in accordance with any State requirements*)

At surface: 1650 FSL & 330 FWL

At proposed prod. zone: BHL: 1675 FSL & 1675 FWL(Sec. 24 T15S R28E)

11. Sec., T. R. M. or Blk. and Survey or Area: Sec. 19 T15S R29E

14. Distance in miles and direction from nearest town or post office*: 15 miles north of Loco Hills, NM

12. County or Parish: Chaves

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
330	560	120

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
1320'	6690 MD 3001 TVD	NMB000286

21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
3733' GR	11/30/2012	15 days

ROSWELL CONTROLLED WATER BASIN

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (Printed/Typed)	Date
Jerry W. Sherrell	Jerry W. Sherrell	10-4-2012
Title: Production Clerk 748-1288		
Approved by (Signature): /S/ Angel Mayes	Name (Printed/Typed): Angel Mayes	Date: 12-28-12
Title: Assistant Field Manager, Lands And Minerals	Office: ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

Application approval 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.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any 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)

DECLARED WATER BASIN

CEMENT BEHIND THE 8 5/8" CASING MUST BE CIRCULATED

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-005-64160	52770	Round Tank; San Andres

[4] Property Code	[5] Property Name	[6] Well Number
37615	CALGARY FEDERAL	2 H

[7] OGRID No.	[8] Operator Name	[9] Elevation
13837	MACK ENERGY CORPORATION	3733.1

[10] Surface Location

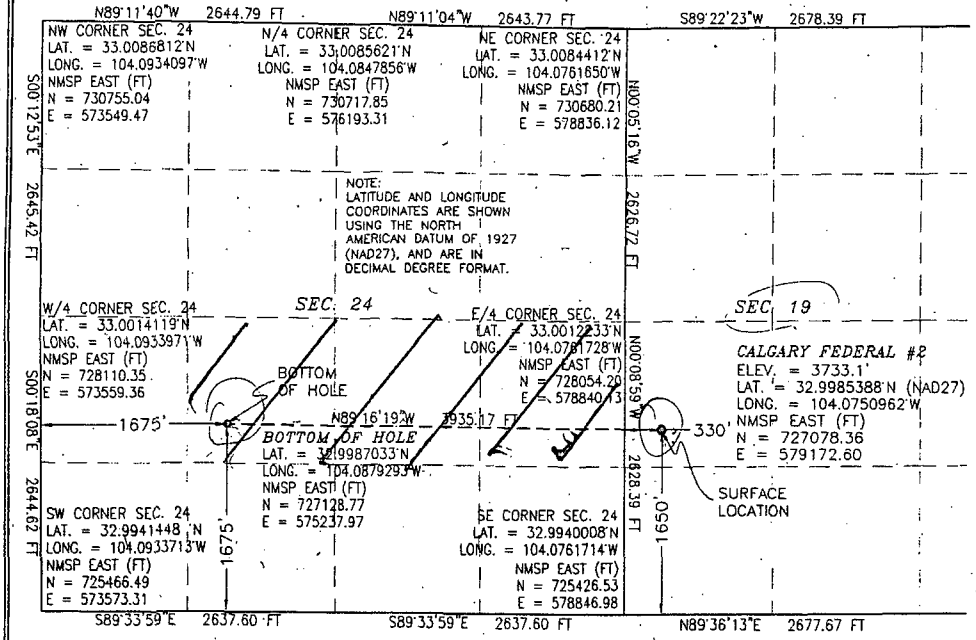
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	19	15 S	29 E		1650	SOUTH	330	WEST	CHAVES

[11] 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
M	24	15 S	28 E		1675	SOUTH	1675	WEST	CHAVES

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
120			6690

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.



[17] 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 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.

Jerry W. Sherrell 11-13-2012
Signature Date

Jerry W. Sherrell
Printed Name

jerrys@mec.com
E-mail Address

[18] 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.

SEPTEMBER 25, 2012
Date of Survey

Signature and Seal of Professional Surveyor:
FILIMON F. JARAMILLO

Certificate Number: FILIMON F. JARAMILLO, PLS 12797
SURVEY NO. 1197A

APD CERTIFICATION

I hereby certify that I, or person under my direct supervision, have inspected the proposed drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed in conformity with this APD package and terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Date: 10-4-2012 Signed: Jerry W. Sherrell

Jerry W. Sherrell

Attached to Form 3160-3
Mack Energy Corporation
Calgary Federal #2
SL : 1650 FSL & 330 FWL, NW/SW, Sec. 19 T15S R29E
BHL : 1675 FSL & 1675 FWL, NE/SW, Sec. 24 T15S R28E
Chaves County, NM

DRILLING PROGRAM

1. Geologic Name of Surface Formation

Quaternary

2. Estimated Tops of Important Geologic Markers:

BOS	760'	Queen	1490'
Yates	770'	Grayburg	1880'
Seven Rivers	1000'	San Andres	2185'

3. Estimated Depths of Anticipated Fresh Water, Oil and Gas:

Water Sand	150'	Fresh Water
Yates	770'	Oil/Gas
Queen	1490'	Oil/Gas
San Andres	2185'	Oil/Gas

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Setting 8 5/8" casing to 450' and circulating cement back to surface will protect the surface fresh water sand. Salt section and shallower zones above TD, which contain commercial quantities of oil and/or gas, will have cement circulated across them by cementing 5 ½" production casing, sufficient cement will be pumped to circulate back to surface.

4. Casing Program:

Hole Size	Interval	OD Casing	Wt, Grade, Jt, cond, collapse/burst/tension
	0-100'	Conductor	Ready Mix to Surface
12 ¼"	0-450'	8 5/8"	24#, J-55, ST&C, New, 6.09/5.79/5.9
7 7/8"	2250-6690'	5 ½"	17#,L-80,Buttress, New, 5.30/2.38/2.51
7 7/8"	0-2250	5 ½"	17#,L-80,LT&C, New, 5.46/2.51/2.58

5. Cement Program:

9 5/8" Surfac Casing: 450sx, Class C + 1% PF1, yield 1.33, wt 14.8 ppg, excess 100%
5 ½" Production Casing: Lead 225sx 50/50 Poz C + 5% PF44 + 10% PF20 + .25#/sx PF46 + 3#/sx PF42 + 1% PF13, yield 2.47, wt 11.9 ppg, excess 35%, Tail 725sx PVL + 1.3% PF44, 5% PF174 + 5% PF606 + .1% PF153 +.25#/sx PF46 + 4% PF13 , yield 1.48, wt 13.0 ppg, 35% excess..

6. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #10 will consist of a double ram-type (3000 psi WP) minimum preventer. This unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top of 4 1/2" drill pipe rams on bottom. The 11" BOP will be nippled up on the 8 5/8" surface casing and tested by a 3rd party to 2000 psi used continuously until TD is reached. All BOP's and accessory equipment will be tested to 2000 psi before drilling out of intermediate casing. Pipe rams will be operationally checked each 24-hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. Other accessories to the BOP equipment (Exhibit #10) will include a Kelly cock and floor safety valve and choke lines and choke manifold (Exhibit #11) with a minimum 3000 psi WP rating

7. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of brine and cut brine mud system. The applicable depths and properties of this system are as follows:

DEPTH	TYPE	WEIGHT	VISCOSITY	WATERLOSS
0-450'	Fresh Water	8.5	28	N.C.
450-2400	Brine	10	30	N.C.
2400'-TD	Brine	9.1	29	N.C.

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site at all times.

8. Auxiliary Well Control and Monitoring Equipment:

A. Kelly cock will be kept in the drill string at all times.
B. A full opening drill pipe-stabbing valve with proper drill pipe connections will be on the rig floor at all times.

9. Logging, Testing and Coring Program:

A. The electric logging program will consist of GR-Dual Laterolog, Spectral Density, Dual Spaced Neutron, CSNG Log from T.D. to 8 5/8 casing shoe.
B. Drill Stem test is not anticipated.
C. No conventional coring is anticipated.
D. Further testing procedures will be determined at TD.

10. Abnormal Conditions, Pressures, Temperatures and Potential Hazards:

No abnormal pressures or temperatures are anticipated. The estimated bottom hole at TD is 120 degrees and estimated maximum bottom hole pressure is 1,487 psig. Low levels of Hydrogen sulfide have been monitors in producing wells in the area, so H2S may be present while drilling of the well; a plan is attached to the Drilling program. No major loss of circulation zones has been reported in offsetting wells.

11. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is November 30, 2012. Once commenced, the drilling operation should be finished in approximately 15 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

Attachment to Exhibit #10
NOTES REGARDING THE BLOWOUT PREVENTERS
Calgary Federal #2
Chaves County, New Mexico

1. Drilling nipple to be so constructed that it can be removed without use of a welder through rotary table opening, with minimum I.D. equal to preventer bore.
2. Wear ring to be properly installed in head.
3. Blow out preventer and all fittings must be in good condition, 2000 psi WP minimum.
4. All fittings to be flanged.
5. Safety valve must be available on rig floor at all times with proper connections, valve to be full 2000 psi WP minimum.
6. All choke and fill lines to be securely anchored especially ends of choke lines.
7. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.
8. Kelly cock on Kelly.
9. Extension wrenches and hands wheels to be properly installed.
10. Blow out preventer control to be located as close to driller's position as feasible.
11. Blow out preventer closing equipment to include minimum 40-gallon accumulator, two independent sources of pump power on each closing unit installation all API specifications.

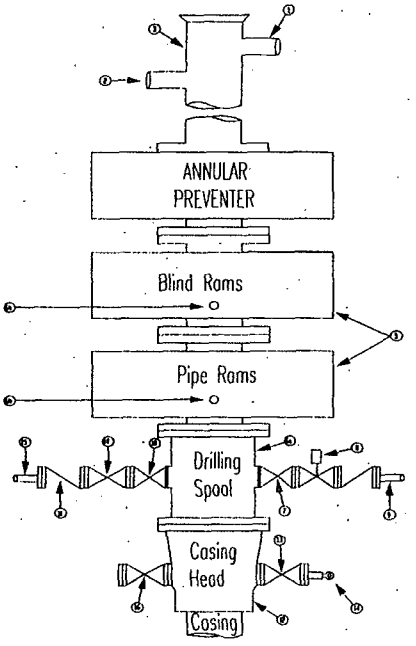
Mack Energy Corporation
Minimum Blowout Preventer Requirements
3000 psi Working Pressure
13 3/8 inch- 3 MWP
11 Inch - 3 MWP
EXHIBIT #10

Stack Requirements

NO.	Items	Min. I.D.	Min. Nominal
1	Flowline		2"
2	Fill up line		2"
3	Drilling nipple		
4	Annular preventer		
5	Two single or one dual hydraulically operated rams		
6a	Drilling spool with 2" min. kill line and 3" min choke line outlets		2" Choke
6b	2" min. kill line and 3" min. choke line outlets in ram. (Alternate to 6a above)		
7	Valve Gate Plug	3 1/8	
8	Gate valve-power operated	3 1/8	
9	Line to choke manifold		3"
10	Valve Gate Plug	2 1/16	
11	Check valve	2 1/16	
12	Casing head		
13	Valve Gate Plug	1 13/16	
14	Pressure gauge with needle valve		
15	Kill line to rig mud pump manifold		2"

OPTIONAL

16	Flanged Valve	1 13/16	



CONTRACTOR'S OPTION TO
CONTRACTOR'S OPTION TO FURNISH:

1. All equipment and connections above bradenhead or casinghead. Working pressure of preventers to be 2000 psi minimum.
2. Automatic accumulator (80 gallons, minimum) capable of closing BOP in 30 seconds or less and, holding them closed against full rated working pressure.
3. BOP controls, to be located near drillers' position.
4. Kelly equipped with Kelly cock.
5. Inside blowout preventer or its equivalent on derrick floor at all times with proper threads to fit pipe being used.
6. Kelly saver-sub equipped with rubber casing protector at all times.
7. Plug type blowout preventer tester.
8. Extra set pipe rams to fit drill pipe in use on location at all times.
9. Type RX ring gaskets in place of Type R.
10.

ME

MEC TO FURNISH:

1. Bradenhead or casing head and side valves.
2. Wear bushing. If required.

GENERAL NOTES:

1. Deviations from this drawing may be made only with the express permission of MEC's Drilling Manager.
2. All connections, valves, fittings, piping, etc., subject to well or pump pressure must be flanged (suitable clamp connections acceptable) and have minimum working pressure equal to rated working pressure of preventers up through choke valves must be full opening and suitable for high pressure mud service.
3. Controls to be of standard design and each marked, showing opening and closing position
4. Chokes will be positioned so as not to hamper or delay changing of choke beans. Replaceable parts for adjustable choke, or bean sizes, retainers, and choke wrenches to be conveniently located for immediate use.
5. All valves to be equipped with hand-wheels or handles ready for immediate use.
6. Choke lines must be suitably anchored.
7. Handwheels and extensions to be connected and ready for use.
8. Valves adjacent to drilling spool to be kept open. Use outside valves except for emergency.
9. All seamless steel control piping (2000 psi working pressure) to have flexible joints to avoid stress. Hoses will be permitted.
10. Casinghead connections shall not be used except in case of emergency.
11. Does not use kill line for routine fill up operations.

Mack Energy Corporation

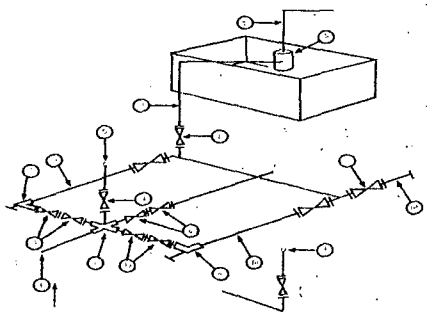
Exhibit #11

MIMIMUM CHOKE MANIFOLD

3,000, 5,000, and 10,000 PSI Working Pressure

3M will be used

3 MWP - 5 MWP - 10 MWP



Mud Pit

Reserve Pit

*** Location of separator optional**

Below Substructure

Mimimum requirements

No.		3,000 MWP			5,000 MWP			10,000 MWP		
		I.D.	Nominal	Rating	I.D.	Nominal	Rating	I.D.	Nominal	Rating
1	Line from drilling Spool		3"	3,000		3"	5,000		3"	10,000
2	Cross 3" x 3" x 3" x 2"			3,000			5,000			
2	Cross 3" x 3" x 3" x 2"									10,000
3	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000
4	Valve Gate Plug	1 13/16		3,000	1 13/16		5,000	1 13/16		10,000
4a	Valves (1)	2 1/16		3,000	2 1/16		5,000	2 1/16		10,000
5	Pressure Gauge			3,000			5,000			10,000
6	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000
7	Adjustable Choke (3)	2"		3,000	2"		5,000	2"		10,000
8	Adjustable Choke	1"		3,000	1"		5,000	2"		10,000
9	Line		3"	3,000		3"	5,000		3"	10,000
10	Line		2"	3,000		2"	5,000		2"	10,000
11	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000
12	Line		3"	1,000		3"	1,000		3"	2,000
13	Line		3"	1,000		3"	1,000		3"	2,000
14	Remote reading compound Standpipe pressure guage			3,000			5,000			10,000
15	Gas Separator		2' x5'			2' x5'			2' x5'	
16	Line		4"	1,000		4"	1,000		4"	2,000
17	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000

(1) Only one required in Class 3M

(2) Gate valves only shall be used for Class 10 M

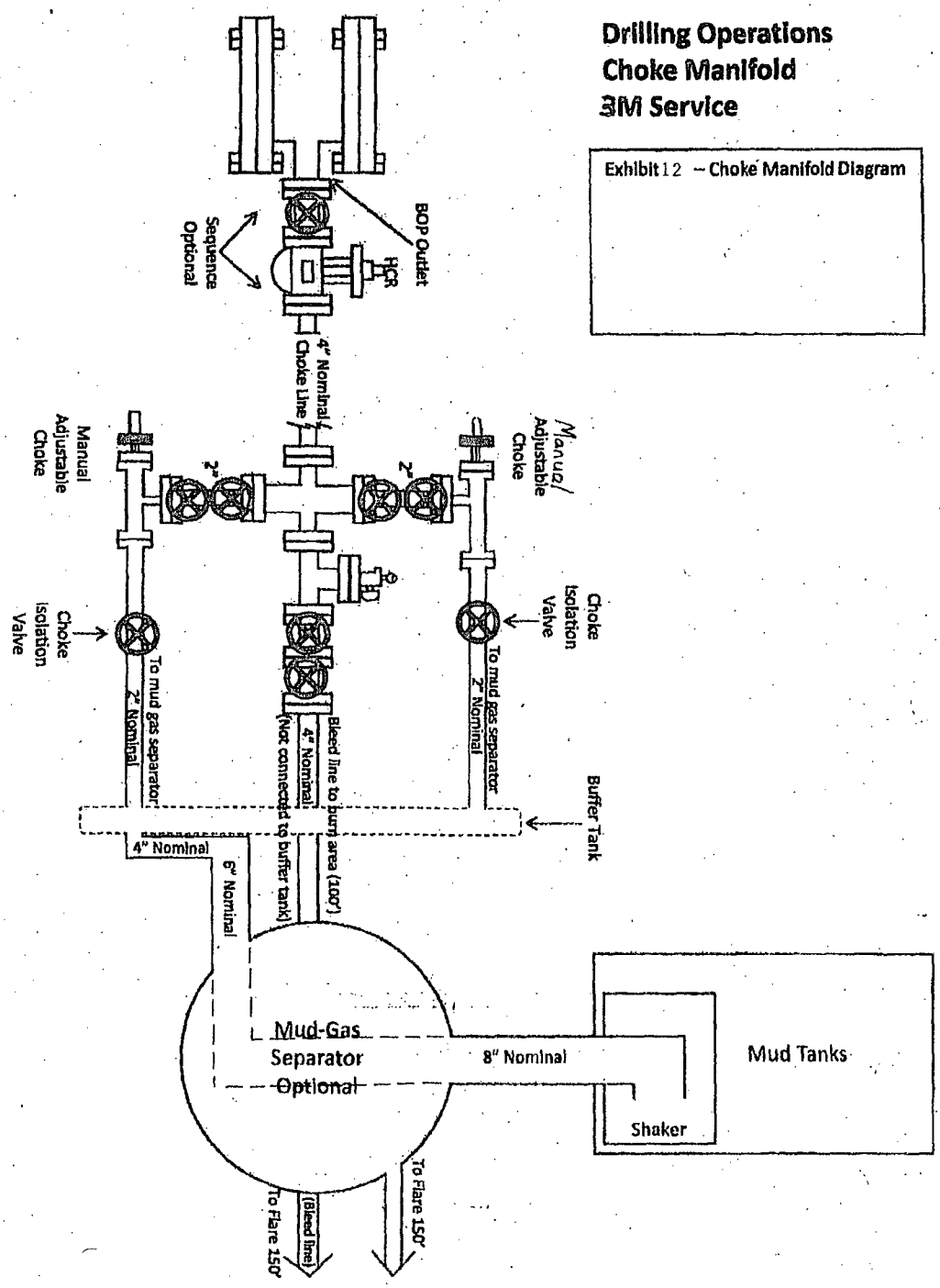
(3) Remote operated hydraulic choke required on 5,000 psi and 10,000 psi for drilling.

EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTION

1. All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating.
2. All flanges shall be API 6B or 6BX and ring gaskets shall be API RX or BX. Use only BX for 10 MWP.
3. All lines shall be securely anchored.
4. Chokes shall be equipped with tungsten carbide seats and needles, and replacements shall be available.
5. alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpipe pressure gauge.
6. Line from drilling spool to choke manifold should bee as straight as possible. Lines downstream from chokes shall make turns by large bends or 90 degree bends using bull plugged tees

Mack Energy Corporation

MANIFOLD SCHEMATIC
Exhibit #12



Attached to Form 3160-3
Mack Energy Corporation
Calgary Federal #2
SL : 1650 FSL & 330 FWL, NW/SW, Sec. 19 T15S R29E
BHL : 1675 FSL & 1675 FWL, NE/SW, Sec. 24 T15S R28E
Chaves County, NM

Mack Energy Corporation
Onshore Order #6
Hydrogen Sulfide Drilling Operation Plan

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards an characteristics of hydrogen sulfide (H2S)
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H2S detectors alarms warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H2S on metal components. If high tensile tubular are to be used, personnel well be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H2S Drilling Operations Plan and Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan and the Public Protection Plan. **The concentrations of H2S of wells in this area from surface to TD are low enough that a contingency plan is not required.**

II. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonable expected to contain H2S.

1. Well Control Equipment:

A. Flare line.
B. Choke manifold.
C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
D. Auxiliary equipment may include if applicable: annular preventer & rotating head.

2. **Protective equipment for essential personnel:**

   A. Mark II Survive air 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. ***H2S detection and monitoring equipment:***

   A. 1 portable H2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 PPM are reached.

4. **Visual warning systems:**

   A. Wind direction indicators as shown on well site diagram (Exhibit #8).
   B. Caution/Danger signs (Exhibit #7) shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. **Mud program:**

   A. The mud program has been designed to minimize the volume of H2S circulated to surface. Proper mud weight, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

6. **Metallurgy:**

   A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.
   B. All elastomers used for packing and seals shall be H2S trim.

7. **Communication:**

   A. Radio communications in company vehicles including cellular telephone and 2-way radio.
   B. Land line (telephone) communication at Office.

8. **Well testing:**

   A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill-stem-testing operations conducted in an H2S environment will use the closed chamber method of testing.

B. There will be no drill stem testing.

EXHIBIT #7

WARNING

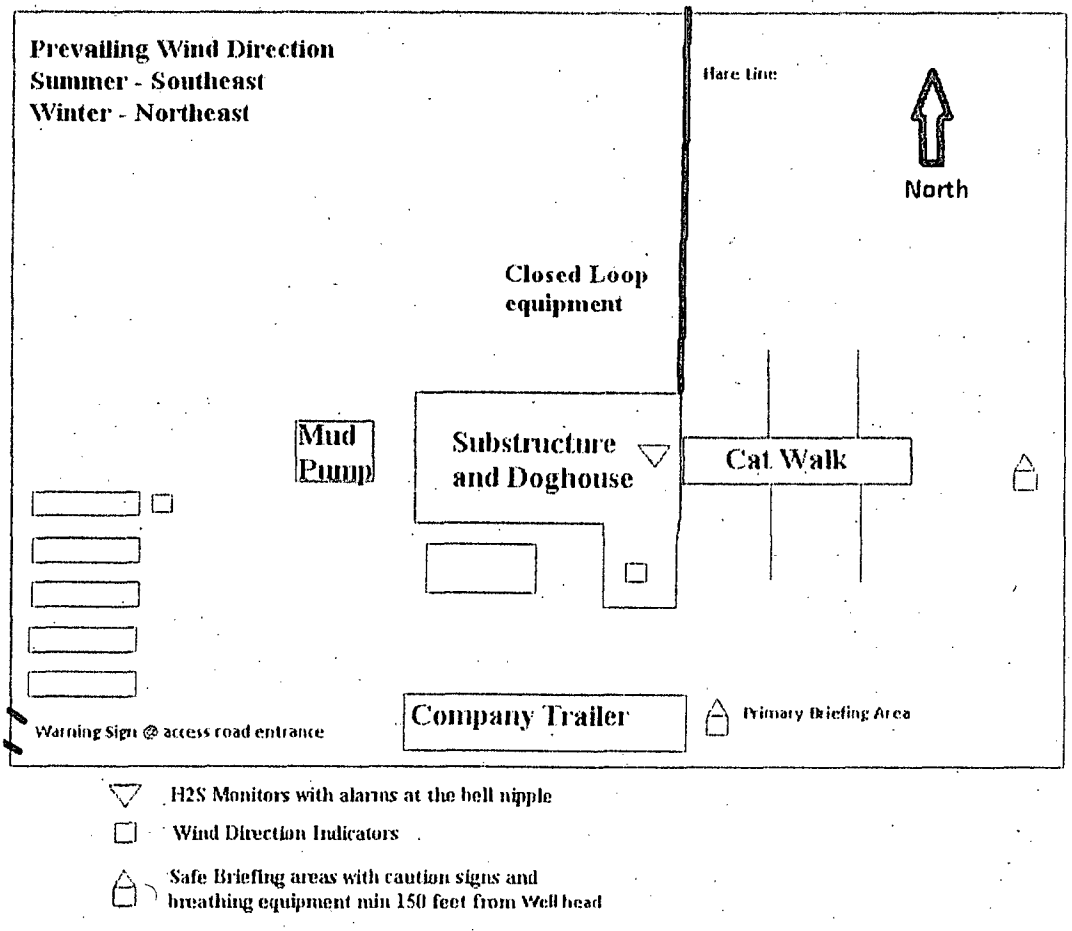
YOU ARE ENTERING AN H2S

AUTHORIZED PERSONNEL ONLY

1. BEARDS OR CONTACT LENSES NOT ALLOWED
2. HARD HATS REQUIRED
3. SMOKING IN DESIGNATED AREAS ONLY
4. BE WIND CONSCIOUS AT ALL TIMES
5. CHECK WITH MACK ENERGY FOREMAN AT OFFICE

MACK ENERGY CORPORATION

1-575-748-1288

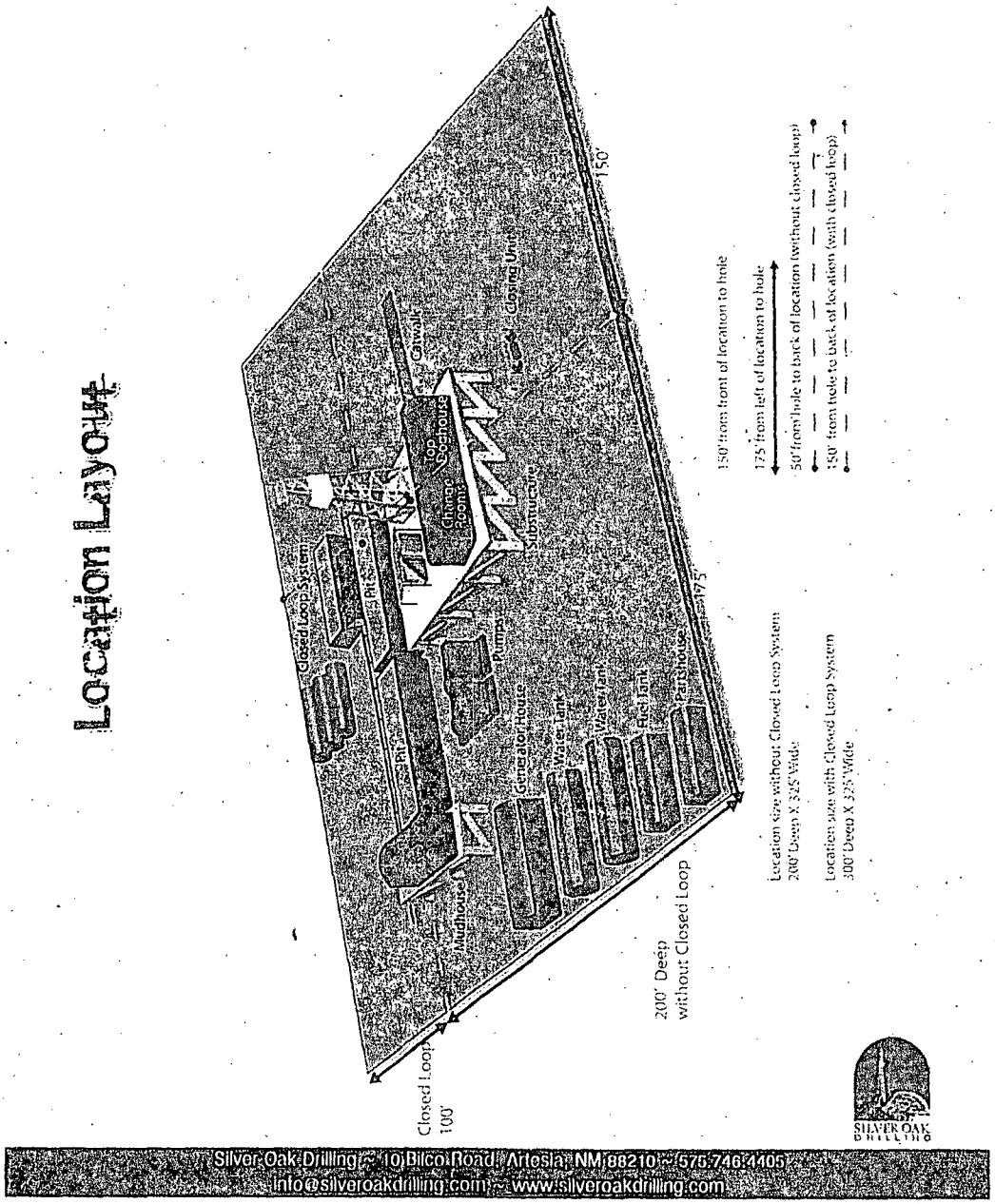


H2S Monitors with alarms at the bell nipple

Wind Direction Indicators

Safe Briefing areas with caution signs and breathing equipment min 150 feet from Well head

DRILLING LOCATION H2S SAFTY EQUIPMENT
Exhibit # 8



Mack Energy Corporation Call List, Chaves County

Artesia (575)	Cellular	Office	Home
Jim Krogman	746-5515	748-1288	746-2674
Lonnie Archer	746-7889	748-1288	365-2998
Donald Archer	748-7875	748-1288	748-2287
Chris Davis	746-7132	748-1288	
Kevin Garrett	746-7423	748-1288	

Agency Call List (575)

Roswell

State Police	622-7200
City Police	624-6770
Sheriff's Office	624-7590
Ambulance	624-7590
Fire Department	624-7590
LEPC (Local Emergency Planning Committee	624-6770
NMOCD	748-1283
Bureau of Land Management	627-0272

Emergency Services

Boots & Coots IWC	1-800-256-9688 or (281)931-8884
Cudd pressure Control	(915)699-0139 or (915)563-3356
Halliburton	746-2757
B. J. Services	746-3569
Flight For Life-Lubbock, TX	(806)743-9911
Aerocare-Lubbock, TX	(806)747-8923
Med Flight Air Amb-Albuquerque, NM	(505)842-4433
Lifeguard Air Med Svc. Albuquerque, NM	(505)272-3115

Mack Energy Corp

Chaves County
Calgary #2
Fed #2
Wellbore #1

Plan: Plan #2

MEC Survey Report

02 October, 2012

MEC

MEC Survey Report

Company:	Mack Energy Corp	**Local Co-ordinate Reference:**	Site Calgary #2
Project:	Chaves County	**TVD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Site:	Calgary #2	**MD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Well:	Fed #2	**North Reference:**	Grid
Wellbore:	Wellbore #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 5000.1 Single User Db

Project Chaves County

Map System:	US State Plane 1927 (Exact solution)	**System Datum:**	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site Calgary #2

Site Position:		**Northing:**	727,078.36 usft	**Latitude:**	32° 59' 54.740 N
From:	Map	**Easting:**	579,172.60 usft	**Longitude:**	104° 4' 30.346 W
Position Uncertainty:	0.0 usft	**Slot Radius:**	13-3/16 "	**Grid Convergence:**	0.14 °

Well Fed #2

Well Position	**+N/-S**	0.0 usft	**Northing:**	727,078.36 usft	**Latitude:**	32° 59' 54.740 N
	+E/-W	0.0 usft	**Easting:**	579,172.60 usft	**Longitude:**	104° 4' 30.346 W
Position Uncertainty		0.0 usft	**Wellhead Elevation:**	usft	**Ground Level:**	3,733.1 usft

Wellbore Wellbore #1

Magnetics	**Model Name**	**Sample Date**	**Declination (°)**	**Dip Angle (°)**	**Field Strength (nT)**
	IGRF200510	10/2/2012	7.71	60.81	48,934

Design Plan #2

Audit Notes:

Version:		**Phase:**	PROTOTYPE	**Tie On Depth:**	0.0

Vertical Section:	**Depth From (TVD) (usft)**	**+N/-S (usft)**	**+E/-W (usft)**	**Direction (°)**
	0.0	0.0	0.0	270.73

Survey Tool Program **Date** 10/2/2012

From (usft)	**To (usft)**	**Survey (Wellbore)**	**Tool Name**	**Description**
0.0	6,690.0	Plan #2 (Wellbore #1)		

MEC

MEC Survey Report

Company:	Mack Energy Corp	**Local Co-ordinate Reference:**	Site Calgary #2
Project:	Chaves County	**TVD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Site:	Calgary #2	**MD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Well:	Fed #2	**North Reference:**	Grid
Wellbore:	Wellbore #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 5000.1 Single User Db

Planned Survey

MD (usft)	Inc (°)	Azi (azimuth) (°)	TVD (usft)	N/S (usft)	E/W (usft)	V. Sec (usft)	DLeg (°/100usft)	Northing (usft)	Easting (usft)
0.0	0.00	0.00	0.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
100.0	0.00	0.00	100.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
200.0	0.00	0.00	200.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
300.0	0.00	0.00	300.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
400.0	0.00	0.00	400.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
500.0	0.00	0.00	500.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
600.0	0.00	0.00	600.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
700.0	0.00	0.00	700.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
800.0	0.00	0.00	800.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
900.0	0.00	0.00	900.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,000.0	0.00	0.00	1,000.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,100.0	0.00	0.00	1,100.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,200.0	0.00	0.00	1,200.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,300.0	0.00	0.00	1,300.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,400.0	0.00	0.00	1,400.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,500.0	0.00	0.00	1,500.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,600.0	0.00	0.00	1,600.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,700.0	0.00	0.00	1,700.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,800.0	0.00	0.00	1,800.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
1,900.0	0.00	0.00	1,900.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
2,000.0	0.00	0.00	2,000.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
2,100.0	0.00	0.00	2,100.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
2,200.0	0.00	0.00	2,200.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
2,300.0	0.00	0.00	2,300.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
2,400.0	0.00	0.00	2,400.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
2,428.0	0.00	0.00	2,428.0	0.0	0.0	0.0	0.00	727,078.36	579,172.60
2,450.0	2.20	270.73	2,450.0	0.0	-0.4	0.4	10.00	727,078.37	579,172.18

Company:	Mack Energy Corp	**Local Co-ordinate Reference:**	Site Calgary #2
Project:	Chaves County	**TVD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Site:	Calgary #2	**MD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Well:	Fed #2	**North Reference:**	Grid
Wellbore:	Wellbore #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 5000.1 Single User Db

Planned Survey

MD (usft)	Inc (°)	Azi (azimuth) (°)	TVD (usft)	N/S (usft)	E/W (usft)	V. Sec (usft)	DLeg (°/100usft)	Northing (usft)	Easting (usft)
2,500.0	7.20	270.73	2,499.8	0.1	-4.5	4.5	10.00	727,078.42	579,168.08
2,550.0	12.20	270.73	2,549.1	0.2	-12.9	12.9	10.00	727,078.52	579,159.66
2,600.0	17.20	270.73	2,597.4	0.3	-25.6	25.6	10.00	727,078.69	579,146.98
2,650.0	22.20	270.73	2,644.5	0.5	-42.5	42.5	10.00	727,078.90	579,130.13
2,700.0	27.20	270.73	2,689.9	0.8	-63.4	63.4	10.00	727,079.17	579,109.25
2,750.0	32.20	270.73	2,733.3	1.1	-88.1	88.1	10.00	727,079.48	579,084.48
2,800.0	37.20	270.73	2,774.4	1.5	-116.6	116.6	10.00	727,079.85	579,056.03
2,850.0	42.20	270.73	2,812.9	1.9	-148.5	148.5	10.00	727,080.25	579,024.10
2,900.0	47.20	270.73	2,848.4	2.3	-183.7	183.7	10.00	727,080.70	578,988.95
2,950.0	52.20	270.73	2,880.7	2.8	-221.8	221.8	10.00	727,081.19	578,950.83
3,000.0	57.20	270.73	2,909.6	3.3	-262.6	262.6	10.00	727,081.71	578,910.04
3,050.0	62.20	270.73	2,934.8	3.9	-305.7	305.7	10.00	727,082.26	578,866.89
3,100.0	67.20	270.73	2,956.2	4.5	-350.9	350.9	10.00	727,082.83	578,821.70
3,150.0	72.20	270.73	2,973.5	5.1	-397.8	397.8	10.00	727,083.43	578,774.83
3,200.0	77.20	270.73	2,986.7	5.7	-446.0	446.0	10.00	727,084.04	578,726.62
3,250.0	82.20	270.73	2,995.7	6.3	-495.2	495.2	10.00	727,084.67	578,677.44
3,300.0	87.20	270.73	3,000.3	6.9	-544.9	545.0	10.00	727,085.30	578,627.68
3,327.1	89.91	270.73	3,001.0	7.3	-572.0	572.1	10.00	727,085.65	578,600.57
3,355.0	89.91	270.73	3,001.0	7.6	-600.0	600.0	0.00	727,086.00	578,572.65
3,400.0	90.14	270.73	3,001.0	8.2	-644.9	645.0	0.50	727,086.58	578,527.69
3,431.9	90.30	270.73	3,000.9	8.6	-676.8	676.9	0.50	727,086.99	578,495.75
3,500.0	90.30	270.73	3,000.5	9.5	-744.9	745.0	0.00	727,087.86	578,427.70
3,600.0	90.30	270.73	3,000.0	10.8	-844.9	845.0	0.00	727,089.14	578,327.71
3,700.0	90.30	270.73	2,999.5	12.1	-944.9	945.0	0.00	727,090.42	578,227.72
3,800.0	90.30	270.73	2,999.0	13.3	-1,044.9	1,045.0	0.00	727,091.71	578,127.73
3,900.0	90.30	270.73	2,998.4	14.6	-1,144.9	1,145.0	0.00	727,092.99	578,027.74
4,000.0	90.30	270.73	2,997.9	15.9	-1,244.8	1,244.9	0.00	727,094.27	577,927.75

Company:	Mack Energy Corp	**Local Co-ordinate Reference:**	Site Calgary #2
Project:	Chaves County	**TVD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Site:	Calgary #2	**MD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Well:	Fed #2	**North Reference:**	Grid
Wellbore:	Wellbore #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 5000.1 Single User Db

Planned Survey

MD (usft)	Inc (°)	Azi (azimuth) (°)	TVD (usft)	N/S (usft)	E/W (usft)	V. Sec (usft)	DLeg (°/100usft)	Northing (usft)	Easting (usft)
4,100.0	90.30	270.73	2,997.4	17.2	-1,344.8	1,344.9	0.00	727,095.55	577,827.76
4,200.0	90.30	270.73	2,996.9	18.5	-1,444.8	1,444.9	0.00	727,096.84	577,727.77
4,300.0	90.30	270.73	2,996.4	19.8	-1,544.8	1,544.9	0.00	727,098.12	577,627.78
4,400.0	90.30	270.73	2,995.9	21.0	-1,644.8	1,644.9	0.00	727,099.40	577,527.79
4,500.0	90.30	270.73	2,995.3	22.3	-1,744.8	1,744.9	0.00	727,100.68	577,427.80
4,600.0	90.30	270.73	2,994.8	23.6	-1,844.8	1,844.9	0.00	727,101.97	577,327.81
4,700.0	90.30	270.73	2,994.3	24.9	-1,944.8	1,944.9	0.00	727,103.25	577,227.82
4,800.0	90.30	270.73	2,993.8	26.2	-2,044.8	2,044.9	0.00	727,104.53	577,127.83
4,900.0	90.30	270.73	2,993.3	27.5	-2,144.8	2,144.9	0.00	727,105.81	577,027.84
5,000.0	90.30	270.73	2,992.7	28.7	-2,244.8	2,244.9	0.00	727,107.10	576,927.85
5,100.0	90.30	270.73	2,992.2	30.0	-2,344.7	2,344.9	0.00	727,108.38	576,827.86
5,200.0	90.30	270.73	2,991.7	31.3	-2,444.7	2,444.9	0.00	727,109.66	576,727.87
5,300.0	90.30	270.73	2,991.2	32.6	-2,544.7	2,544.9	0.00	727,110.94	576,627.88
5,400.0	90.30	270.73	2,990.7	33.9	-2,644.7	2,644.9	0.00	727,112.23	576,527.89
5,500.0	90.30	270.73	2,990.2	35.1	-2,744.7	2,744.9	0.00	727,113.51	576,427.90
5,600.0	90.30	270.73	2,989.6	36.4	-2,844.7	2,844.9	0.00	727,114.79	576,327.90
5,700.0	90.30	270.73	2,989.1	37.7	-2,944.7	2,944.9	0.00	727,116.07	576,227.91
5,800.0	90.30	270.73	2,988.6	39.0	-3,044.7	3,044.9	0.00	727,117.36	576,127.92
5,900.0	90.30	270.73	2,988.1	40.3	-3,144.7	3,144.9	0.00	727,118.64	576,027.93
6,000.0	90.30	270.73	2,987.6	41.6	-3,244.7	3,244.9	0.00	727,119.92	575,927.94
6,100.0	90.30	270.73	2,987.1	42.8	-3,344.6	3,344.9	0.00	727,121.20	575,827.95
6,200.0	90.30	270.73	2,986.5	44.1	-3,444.6	3,444.9	0.00	727,122.49	575,727.96
6,300.0	90.30	270.73	2,986.0	45.4	-3,544.6	3,544.9	0.00	727,123.77	575,627.97
6,400.0	90.30	270.73	2,985.5	46.7	-3,644.6	3,644.9	0.00	727,125.05	575,527.98
6,500.0	90.30	270.73	2,985.0	48.0	-3,744.6	3,744.9	0.00	727,126.33	575,427.99
6,600.0	90.30	270.73	2,984.5	49.3	-3,844.6	3,844.9	0.00	727,127.62	575,328.00
6,690.0	90.30	270.73	2,984.0	50.4	-3,934.6	3,935.0	0.00	727,128.77	575,237.97

MEC

MEC Survey Report

Company:	Mack Energy Corp	**Local Co-ordinate Reference:**	Site Calgary #2
Project:	Chaves County	**TVD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Site:	Calgary #2	**MD Reference:**	WELL @ 3750.1usft (Original Well Elev)
Well:	Fed #2	**North Reference:**	Grid
Wellbore:	Wellbore #1	**Survey Calculation Method:**	Minimum Curvature
Design:	Plan #2	**Database:**	EDM 5000.1 Single User Db

Planned Survey

MD (usft)	Inc (°)	Azi (azimuth) (°)	TVD (usft)	N/S (usft)	E/W (usft)	V. Sec (usft)	DLeg (°/100usft)	Northing (usft)	Easting (usft)

Checked By: _____ Approved By: _____ Date: _____

MACK Energy Corporation

SITE DETAILS: Calgary #2	
Site Centre Northing:	727078.36
Easting:	579172.60
Positional Uncertainity:	0.0
Convergence:	0.14
Local North:	Grid

Azimuths to Grid North
True North: -0.14°
Magnetic North: 7.57°

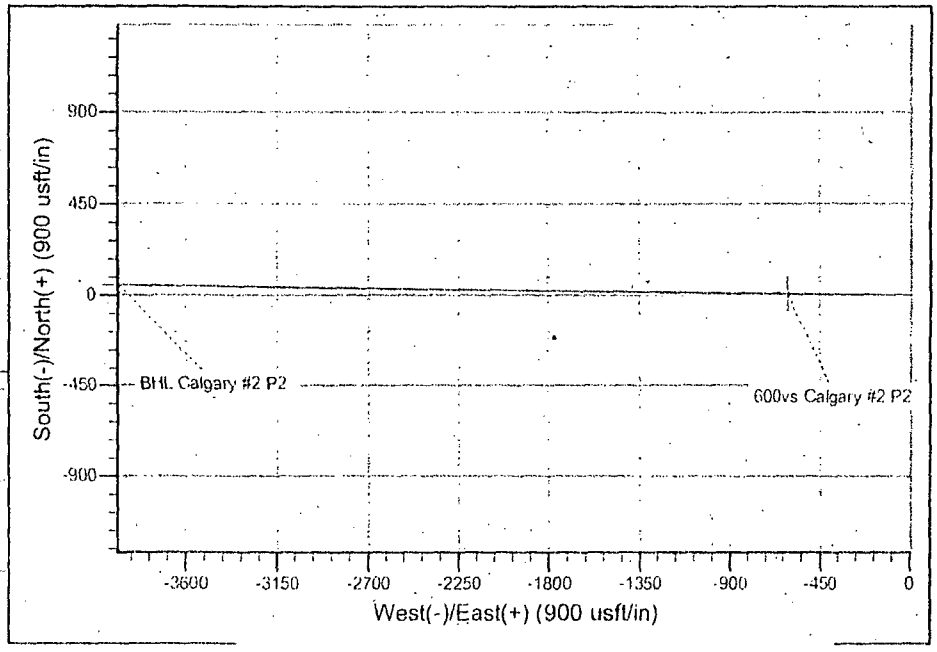
Magnetic Field
Strength: 48934.4snT
Dip Angle: 60.81°
Date: 10/2/2012
Model: IGRF200510

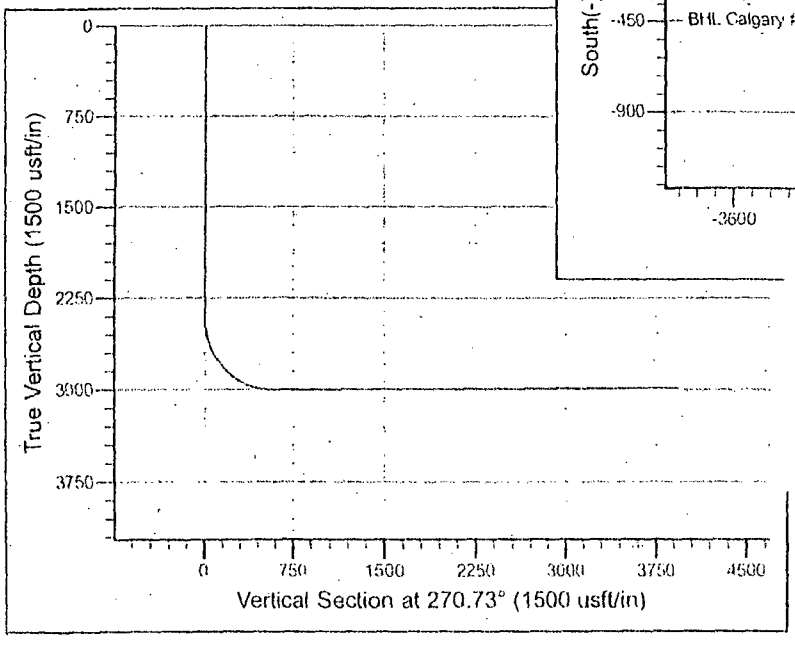
SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSect	Target
1	0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.0	
2	2428.0	0.00	0.00	2428.0	0.0	0.0	0.00	0.00	0.0	
3	3327.1	89.91	270.73	3001.0	7.3	-572.0	10.00	270.73	572.1	
4	3355.0	89.91	270.73	3001.0	7.6	-600.0	0.00	0.00	600.0	600vs Calgary #2 P2
5	3431.9	90.30	270.73	3000.9	8.6	-676.8	0.50	0.72	676.9	
6	6690.0	90.30	270.73	2984.0	50.4	-3934.6	0.00	0.00	3935.0	BHL Calgary #2 P2

DESIGN TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Shape
BHL Calgary #2 P2 - plan hits target center	2984.0	50.4	-3934.6	727128.77	575237.9	32° 59' 55.3321 N	104° 5' 16.545 W	Point
600vs Calgary #2 P2 - plan hits target center	3001.0	7.6	-600.0	727086.00	578572.6	32° 59' 54.8301 N	104° 4' 37.391 W	Point





1650 FSL and 1650 FWL are Hard Lines.
We can be north, east, or northeast of these ha
lines, but not south, west, or southwest. From tl
BHL the well is 25' north or the
south hardline and 25' east of the west
hardline.

PECOS DISTRICT
Roswell Field Office
2909 West Second
Roswell, NM 88201
CONDITIONS OF APPROVAL

December 2012

OPERATORS NAME: Mack Energy Corporation
LEASE NO NMNM 4433
WELL NAME & NO: #2 H Calgary Federal
SURFACE HOLE FOOTAGE: 1650 FSL & 330 FWL Section 19, T. 15 S., R. 29 E.
BOTTOM HOLE LOCATION: 1675 FSL & 1675 FWL Section 24, T. 15 S., R. 28 E.
COUNTY: Chaves County, New Mexico

A. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Approval of the APD does not warrant that any party holds equitable or legal title. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

The Operator shall submit a Sundry Notice (Form 3160-5) to the Bureau of Land Management, Roswell Field Office (address above) for approval prior to beginning any new surface-disturbing activities or operations that are not specifically addressed and approved by this APD.

A site facility diagram (Onshore Order 3, Section III, I. and 43 CFR 3162.7-5(d)) for the purpose of a site security plan (Onshore Order 3, Section III. H and 43 CFR 3162.7-5 c shall be filed no later than 60 calendar days following first production.

B. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

C. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

The project falls within the area covered by the Permian Basin Memorandum of Agreement (MOA). The Permian Basin MOA is an optional method of compliance with Section 106 of the National Historic Preservation Act for energy related projects in a 28 quadrangle area of the Pecos District a portion of which is within the Roswell Field Office. The proponent chose to participate in the Permian Basin MOA by planning to avoid all known HRHP eligible and potentially eligible cultural resources. The proponent has contributed funds commensurate to the undertaking into an account for offsite mitigation. Participation in the Permian Basin MOA serves as mitigation for the effects of this project on cultural resources. If any skeletal remains that might be human or funerary objects are discovered by any activities, the project proponent will cease activities in the area of discovery and notify the BLM within 24 hours as required by the Permian Basin MOA.

D. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). 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.

E. CONSTRUCTION

NOTIFICATION: The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0272 at least three (3) working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

Construction over and/or immediately adjacent to existing pipelines shall be coordinated, and in accordance with, the relevant pipeline companies' policy.

Any trench left open for eight (8) hours or less is not required to have escape ramps; however, before the trench is backfilled, an agency approved monitor shall walk the entire length of the open trench and remove all trapped fauna. The bottom surface of the trench will be disturbed a minimum of 2 inches in order to arouse any buried fauna. All fauna will be released a minimum of 100 yards from the trench.

For trenches left open for eight (8) hours or more, earthen escape ramps (built at nor more than a 30 degree slope and spaced no more than 500 feet apart) shall be placed in the trench. Structures will also be authorized within the trench. Metal structures will not be authorized. Structures used as escape ramps will be placed at no more than a 30 degree slope and spaced no more than 500 feet apart.

F. TOPSOIL:

The topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The operator shall stockpile the stripped topsoil in shallow rows adjacent to the constructed well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad. The topsoil will not be used to construct the containment structure or earthen dike that is constructed and maintained on the outside boundaries of the constructed well pad.

G. CLOSED LOOP SYSTEMS:

No reserve pit will be used.

Steel tanks are required for drilling operations: No Pits Allowed.

The operator shall properly dispose of drilling contents at an authorized disposal site.

H. FEDERAL MINERAL MATERIALS PIT:

The well pads and access roads have been constructed and surfaced with caliche. If additional material is needed payment shall be made to the BLM prior to removal of any federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office (575) 627-0270.

I. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material will be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

J. ON LEASE ACCESS ROADS:

Road Egress and Ingress

The access roads are constructed on surface location on oil and gas lease NM 4434. Calgary No. H well pad is accessed from the Southwest corner.

Where possible, no improvements should be made on the un-surfaced access road other than to remove vegetation as necessary, improve road irregularities, safety issues, or to fill low areas that may sustain standing water.
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material will be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

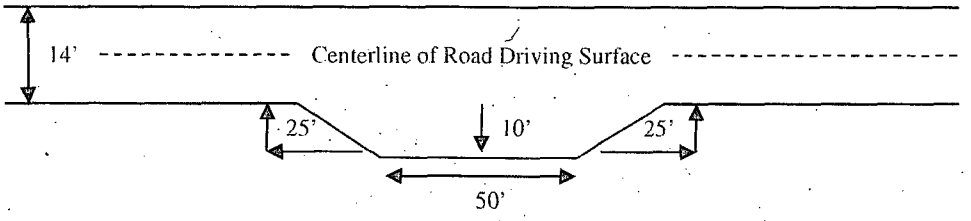
Ditching shall be required on the uphill side of the road.

Ditching shall be required on both sides of the road.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

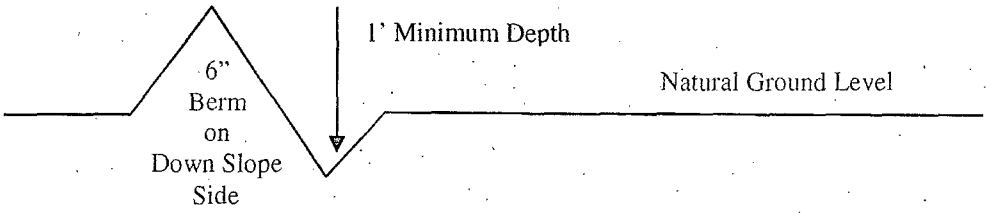


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section Of Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval Of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

400 foot road with 4% road slope: $\frac{400'}{4\%} + 100' = 200'$ lead-off ditch interval

Culvert Installations

Appropriately sized culvert(s) shall be installed at any deep waterway channel flow crossing.

Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattle guard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattle guard(s) that are in place and are utilized during lease operations. Gates or cattle guards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the authorized officer.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

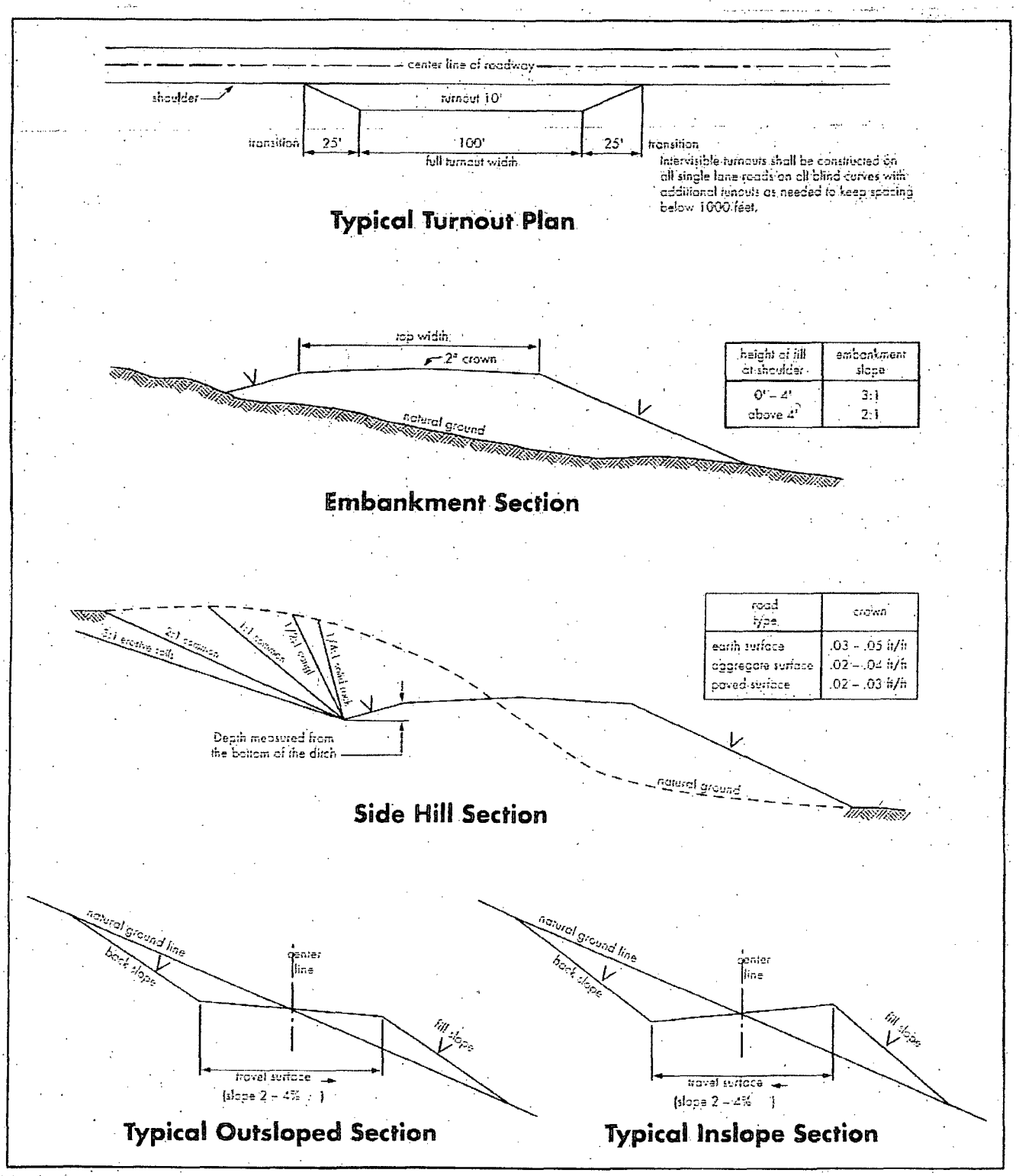
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

Public access along this road will not be restricted by the holder without specific written approval being granted by the authorized officer. Gates or cattle guards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the authorized officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



K. DRILLING:

DRILLING OPERATIONS REQUIREMENTS:

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During or after office hours call (575) 627-0205. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.

2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:

   a. Spudding well
   b. Setting and/or Cementing of all casing strings
   c. BOPE Tests

3. A Hydrogen Sulfide (H2S) Drilling Operation Contingency Plan shall be activated prior to drilling into the **Queen** formation. A copy of the plan shall be posted at the drilling site.

4. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

5. Include the API Number assigned to well by NMOCD on the subsequent report of setting the first casing string.

6. The operator will accurately measure the drilling rate in feet/min to set the base of the usable water protection casing string(s) opposite competent rock. The record of the drilling rate along with the caliper-gamma ray-neutron well log run to surface will be submitted to this office as well as all other logs run on the borehole 30 days from completion

7. Air, air-mist or fresh water and nontoxic drilling mud shall be used to drill to the base of the usable water protection casing string(s). Any polymers used will be water based and non-toxic.

CASING:

1. Deepest depth of usable water occurs at a depth under 100 feet according to the State Engineer. The operator will run a100 feet of conductor pipe and ready mix cement to the surface. The 8-5/8 inch usable water protection casing string(s) shall be set between 380 feet and 450 feet. Most of this section is halite. A competent bed of Anhydrite is encountered around 450 feet and this will help protect the water up-hole.

a. If cement does not circulate to the surface, the Roswell Field Office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin or 500 pounds compression strength, whichever is greater. (This is to include the lead cement).

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.

d. If cement falls back, remedial action will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **5-1/2** inch production casing is **sufficient to tie back 500 feet above the uppermost perforation in the pay zone**. If cement does not circulate, a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

3. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

4. All casing shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

PRESSURE CONTROL:

1. Before drilling below the **8-5/8** inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Before drilling below the **8-5/8** inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi.

3. The BOPE shall be installed before drilling below the **8-5/8** inch surface casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The BLM Roswell Field office shall be notified a minimum of 24 hours in advance for a representative to witness the tests.

b. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test will be submitted to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

d. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

e. Testing must be done in a safe workman like manner. Hard line connections shall be required.

f. The requested variance to test the BOPE prior to **drilling below the 8-5/8 inch surface casing** to the reduced pressure of **2000** psi by a third party is approved.

L. PRODUCTION

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim re-contouring and re-vegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Juniper Green (Standard Environmental Color Chart June 2008).

Completion Report

In accordance with 43 CFR 3160, Form 3160-4 (Well Completion or Re-completion Report and Log) must be submitted to the Bureau of Land Management, Roswell Field Office within 30 days after completion of the well or producer. Copies of all open hole and cased hole logs, core descriptions, core analyses, well test data, geologic summaries, sample descriptions, formation test reports, stimulation reports, directional survey (if applicable), and all other surveys or data obtained and compiled during the drilling, completion, and/or work over operations, shall be included with Form 3160-4.

M. Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

N. INTERIM RECLAMATION

Reclamation earthwork for interim and/or final reclamation shall be completed within 6 months of well completion or well plugging (weather permitting), and shall consist of: 1) backfilling pits, 2) re-contouring and stabilizing the well site, access road, cut/fill slopes, drainage channels, utility and pipeline corridors, and all other disturbed areas, to approximately the original contour, shape, function, and configuration that existed before construction (any compacted backfilling activities shall ensure proper spoils placement , settling, and stabilization)., 3) surface ripping, prior to topsoil placement, to a depth of 18-24 inches deep on 18-24 inch centers to reduce compaction, 4) final grading and replacement of all topsoil so that no topsoil's remains in the stockpile, 5) seeding in accordance with reclamation portions of the APD and these COA's.

Any subsequent re-disturbance of interim reclamation shall be reclaimed within six (6) months by the same means described herein.

Prior to conducting interim reclamation, <u>the operator is required to:</u>

- Submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.
- Contact BLM at least three (3) working days prior to conducting any interim reclamation activities, and prior to seeding.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Disturbing re-vegetated areas for production or work over operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be re-vegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Use a certified noxious weed-free seed mixture. Use seed tested for viability and purity in accordance with State law(s) within nine months prior to purchase. Use a commercial seed mixture certified or registered and tagged in accordance with State law(s). Make the seed mixture labels available for BLM inspection.

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-Harkey, Harkey sandy loam, Karro loam, Kermit-Berino fine sands, Mobeetie fine sandy Pajarito-Bluepoint, Poquita, Potter-Simona complex, Sharvana-Redona, Simona, Simona-Bippus c 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

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

Certified Weed Free Seed

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

APPROVED: /s/ Douglas J. Burger
District Manager- Pecos District

O. FINAL ABANDONMENT

1. Upon abandonment of the well a Notice of Intent for Plug and Abandonment describing plugging procedures. Followed within 30 days you shall file with this office, a Subsequent Report of Abandonment (Form 3160-5). To be included with this report is where the plugs were placed; volumes of cement used and well bore schematic as plugged.

2. On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the Private Surface Land Owner agreements and a copy of the release is to be submitted upon abandonment.

3. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). The well bore shall then be covered with a metal plate at least ¼ inch thick and welded in place. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).

4. **The Operator shall promptly plug and abandoned each newly completed, re-completed or producing well which is not capable of producing in paying quantities.** No well may be temporarily abandoned for more than 30 days without prior approval from this office. When justified by the Operator, BLM may authorize additional delays, no one of which may exceed an additional 12 months. Upon removal of drilling or producing equipment form the site of a well which is to be permanently abandoned, the surface of the lands disturbed shall be reclaimed in accordance with an approved Notice of Intent for reclamation.

P. SURFACE USE PLAN OF OPERATIONS

1. Surface Reclamation must be completed within 6 months of well plugging. The Operator shall submit to this office a Notice of Intent for Reclamation with described procedures, Form 3160-5.

2. No surface use is allowed during the following time periods; unless otherwise specified. This stipulation does not apply to the operation and maintenance of production facilities.

For the purpose of: Protecting Lesser Prairie-Chickens

Drilling for oil and gas, and 3-D geophysical exploration operations will not be allowed in Lesser Prairie Chicken Habitat during the period of March 1 through June 15, each year. During that period, between 3:00 a.m. and 9:00 a.m., other activities that produce noise and involve human activity, such as geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will not be allowed. Noise producing activities which do not require a human presence, such as venting, flaring, or pumping, are exempt

from the 3:00 a.m. and 9:00 a.m. restriction. Regardless of the time of year, 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.

Q. PIPELINE PROTECTION REQUIREMENT

Precautionary measures shall be taken by the operator during construction of the access road to protect existing pipelines that the access road will cross over. An earthen berm; 2 feet high by 3 feet wide and 14 feet across the access road travelway (2' X 3' X 14'), shall be constructed over existing pipelines. The operator shall be held responsible for any damage to existing pipelines. If the pipeline is ruptured and/or damaged the operator shall immediately cease construction operations and repair the pipeline. The operator shall be held liable for any unsafe construction operations that threaten human life and/or cause the destruction of equipment.

R. RANGE REQUIREMENT

The Operator shall keep traffic to a minimum, with the speed limit less than 20 MPH. When conflicts with livestock do arise as a result of the access road and well pad construction, in consultation with the allottee, measures will be taken to resolve the conflicts.

S. WILDLIFE EQUIPMENT

Netting storage tanks and installation of cones on separator stacks would alleviate losses of wildlife species. Interim and final rehabilitation through re-vegetation would return to wildlife previous levels.

T. SPECIAL STIPULATION:

If frac ponds are necessary submit for approval a right-of-way application or sundry notice (Form 3160-5) to the BLM, Roswell Field Office 2902 West Second, Roswell, NM 88201. If frac pond is located on private/State surface and support the enhanced production of federal minerals BLM approval is necessary.

The frac pond will only be authorized to contain freshwater and testing of water quality is required. Additives are not allowed without consent of the authorized officer. 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. Mineral materials extracted during construction of the frac pond will be stored on-location and/or used for constructing the frac pond.

PRAIRIE CHICKENS

No surface use is allowed during the following time periods; unless otherwise specified. This stipulation does not apply to the operation and maintenance of production facilities.

On the land described below:

Section 24, T. 15 S., R. 28 E., and Section 19, T. 15 S., R. 29 E. Chaves County, NM.

For the purpose of: Protecting Lesser Prairie-Chickens

Drilling for oil and gas, and 3-D geophysical exploration operations will not be allowed in Lesser Prairie Chicken Habitat during the period of March 1 through June 15, each year. During that period, between 3:00 a.m. and 9:00 a.m., other activities that produce noise and involve human activity, such as geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will not be allowed. Noise producing activities which do not require a human presence, such as venting, flaring, or pumping, are exempt from the 3:00 a.m. and 9:00 a.m. restriction. Regardless of the time of year, 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.

Bureau of Land Management
Roswell/Carlsbad Field Offices

SENM-S-22
May 2008