

## SURFACE USE AND OPERATING PLAN

AUG 03 2011

## 1. Existing &amp; Proposed Access Roads

RECEIVED

- A. The well site and elevation plat for the proposed well is shown in Exhibit #1. It was staked by John West Engineering, Hobbs, NM.
- B. All roads to the location are shown in Exhibit below. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling well will be done where necessary.
- C. Directions to Location: From the intersection of Hwy 82 and L-126, go west 1.2 miles, turn North .1, turn left/west .4 miles to Duck Federal #1, follow road survey 387' Northwest to location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

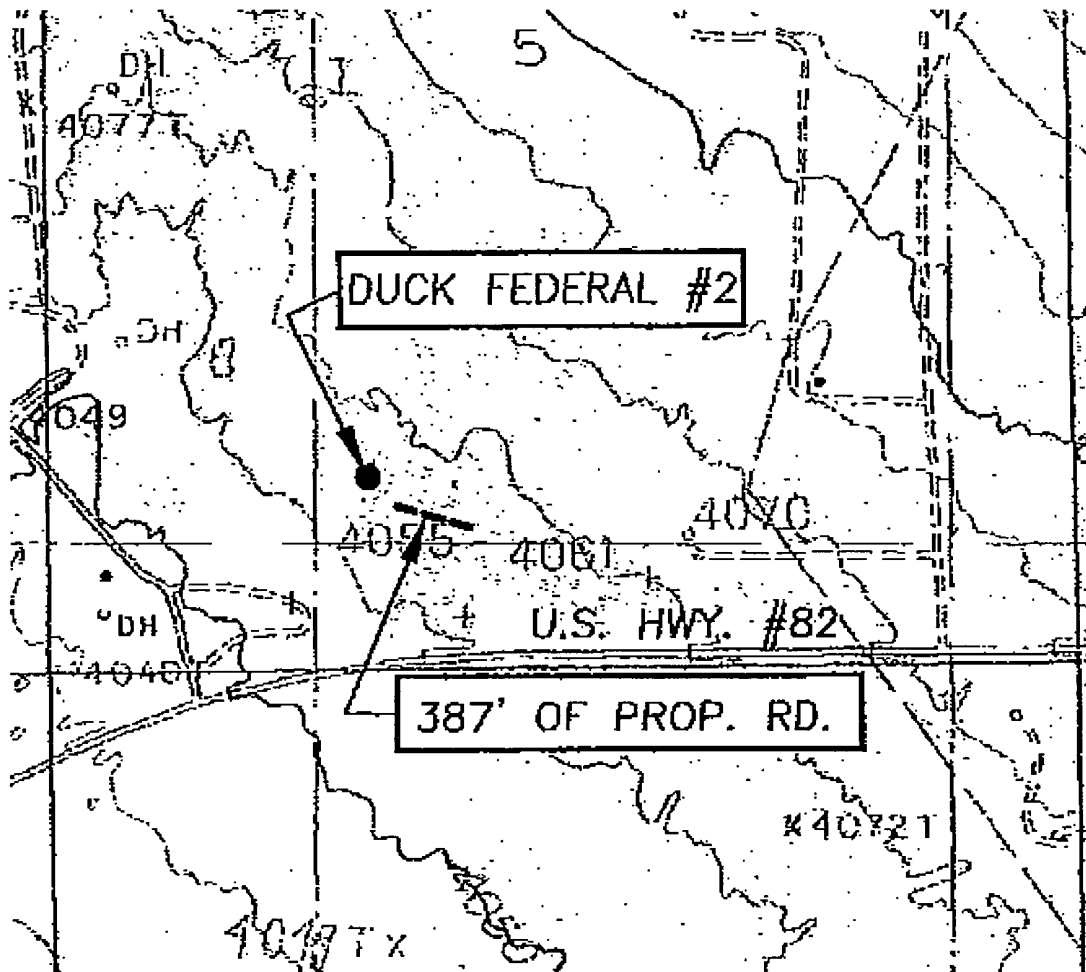


Exhibit #4

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## **2. Proposed Access Road:**

Exhibit #3 shows the 387' of new access road to be constructed. Proposed upgrade of existing road will be done along staked centerline survey. Necessary maintenance will be done to insure traffic stays within proposed ROW. The road will be constructed as follows:

- A. The Maximum width of the running surface will be 14'. The road will be crowned and ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 3 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit.
- F. The proposed access road as shown in Exhibit #3 has been centerline flagged by John West Engineering, Hobbs, New Mexico.

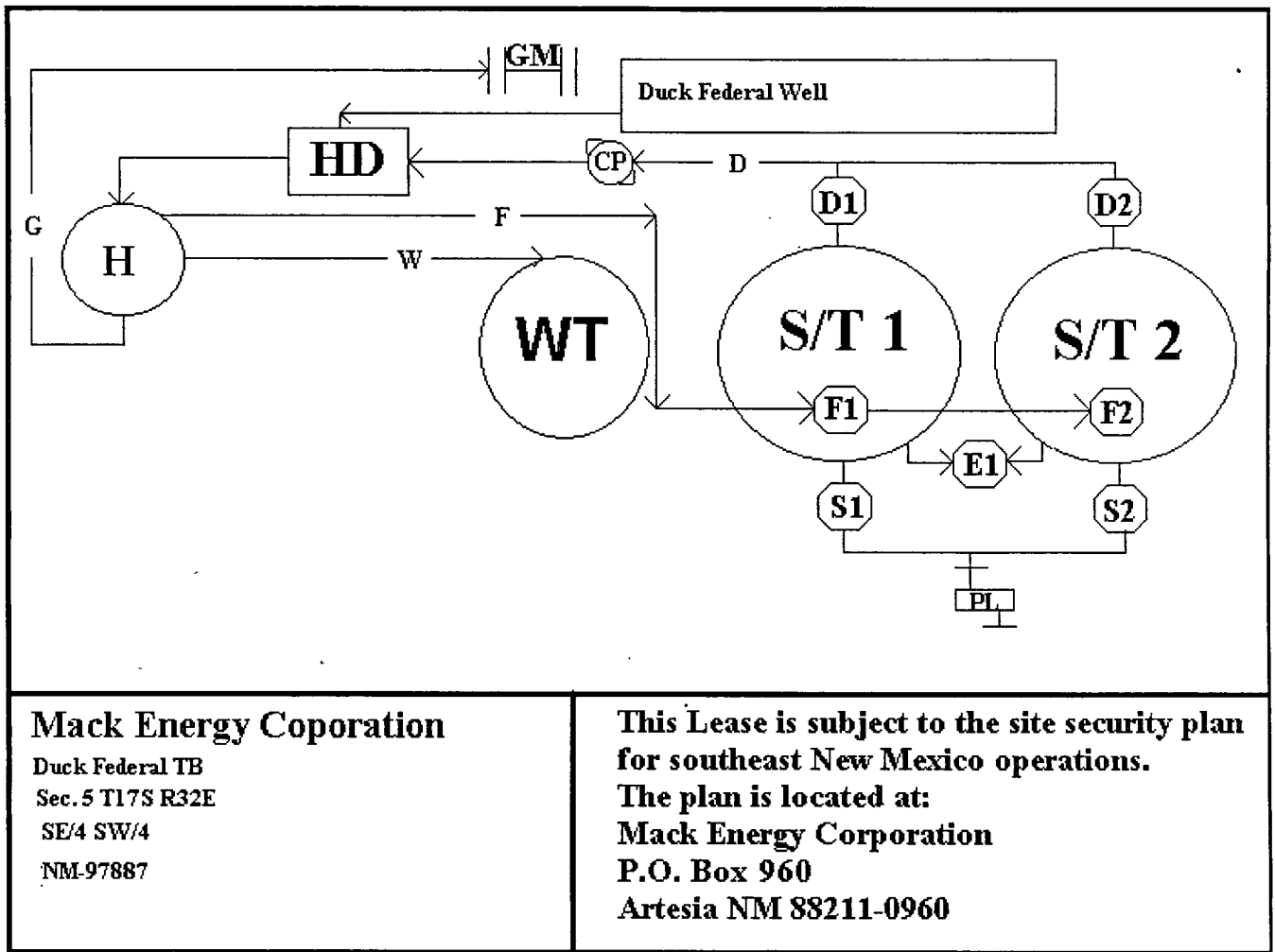
## **3. Location of Existing Wells & Proposed flow lines for New Wells:**

Exhibit #4 shows all existing wells within a one-mile radius of this well. Proposed flow lines, will stay on location, TB at the #1 well.

## **4. Location of Existing and/or Proposed Facilities:**

- A. Mack Energy Corporation does not operate a production facility on this lease.
- B. If the well is productive, contemplated facilities will be as follows:
  - 1) Bone Spring Young North Completion: Will be sent to the Duck Federal TB located at the #1 well. The Facility is shown in Exhibit #5.
  - 2) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.
  - 3) Any additional caliche will be obtained from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
  - 4) It will be necessary to run electric power if this well is productive. Power will be run by CVE and they will send in a separate plan for power.

Exhibit #5



A. If the well is productive, rehabilitation plans are as follows:

- 1) Topsoil removed from the drill site will be used to recontour the surrounding area to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

**5. Location and Type of Water Supply:**

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown in Exhibit #4. If a commercial fresh water source is nearby, fasline may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

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**6. Source of Construction Materials:**

All caliche required for construction of the drill pad and proposed new access road (approximately 2500 cubic yards) will be obtained from a BLM approved caliche pit.

**7. Methods of Handling Water Disposal:**

- A. Drill cuttings not retained for evaluation purposes will be disposed into the steel tanks and hauled to an approved facility.
- B. Drilling fluids will be contained in steel tanks using a closed loop system.
- C. Water produced from the well during completion may be disposed into a steel tank. After the well is permanently placed on production, produced water will be collected in tanks (fiberglass) until pumped to an approved disposal system; produced oil will be collected in steel tanks until sold.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. All water and fluids will be disposed of into an approved facility. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole only a dry hole marker will remain.

**8. Ancillary Facilities:**

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

**9. Plans for Restoration of the Surface:**

- A. Upon completion of the proposed operations, if the well is completed, any additional caliche required for facilities will be obtained from a BLM approved caliche pit.
- B. In the event of a dry hole. Topsoil removed from the drill site will be used to recontour the area to its original natural level and reseeded as per BLM specifications.

**10. Surface Ownership:**

The well site and lease is located entirely on Fee surface. The surface owner is Olane Caswell, 1702 Gillham Dr. Brownfield, TX 79316 (806) 637-7004. I certify that a copy of the Surface Use Plan has been provided to the surface owner. I certify that a Surface Use Agreement has been reached.

**11. Other Information:**

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is native scrub grass with sagebrush.
- B. There is no permanent or live water in the immediate area.

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- C. A Cultural Resources Examination has been requested and will be forwarded to your office in the near future.

**12. Lessee's and Operator's Representative:**

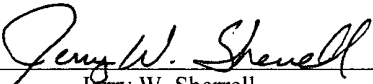
The Mack Energy Corporation representative responsible for assuring compliance with the surface use plan is as follows:

Jerry W. Sherrell  
Mack Energy Corporation  
P.O. Box 960  
Artesia, NM 88211-0960  
Phone (575) 748-1288 (office)

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: 4-15-2011

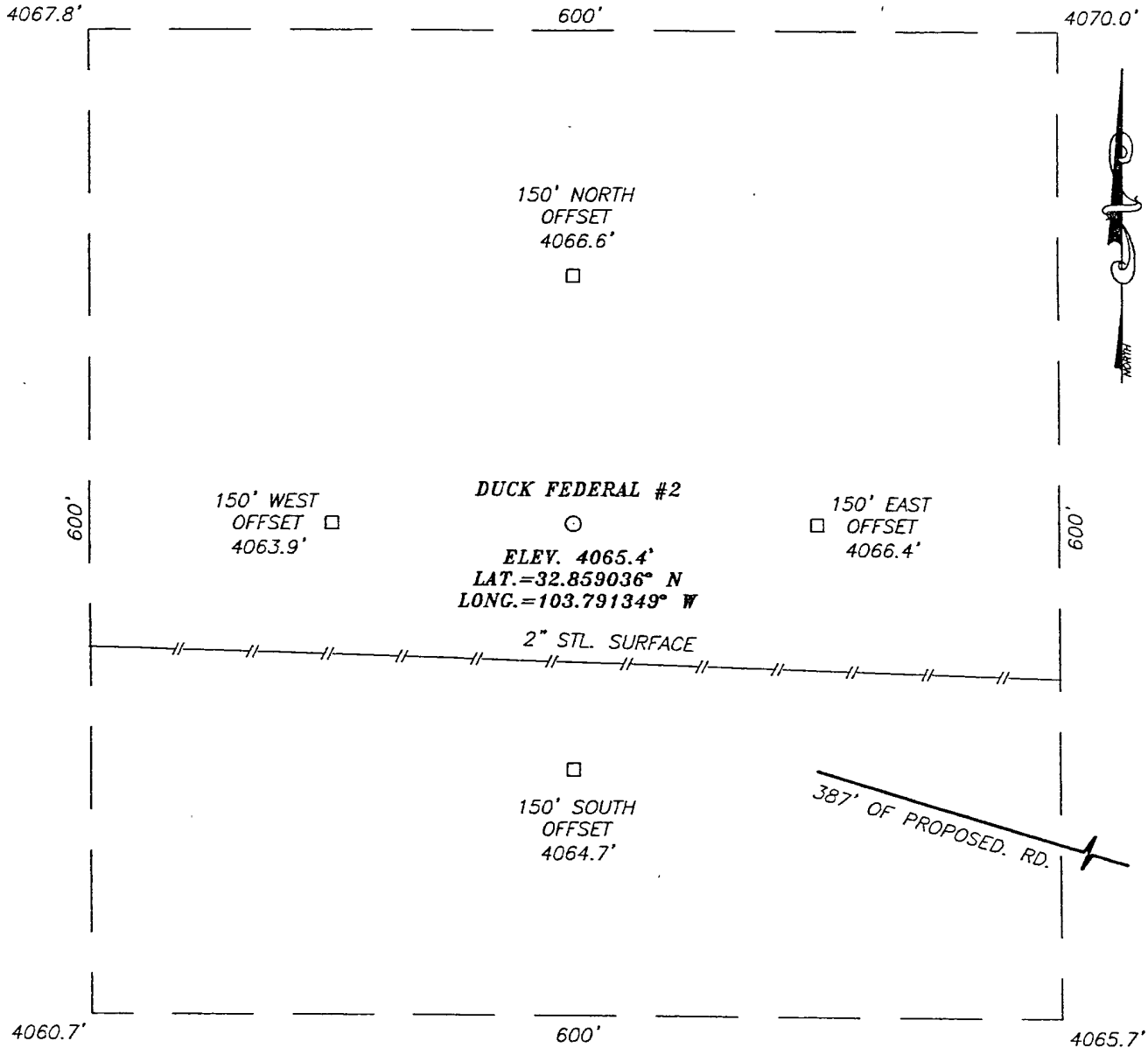
Signed:   
Jerry W. Sherrell

HOBBS OCD

AUG 03 2011

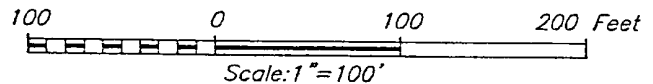
RECEIVED

SECTION 5, TOWNSHIP 17 SOUTH, RANGE 32 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM U.S. HWY. #82 AND CO. RD. #L-126  
(MALJAMAR RD.), GO WEST ON U.S. HWY. #82  
APPROX. 1.2 MILES. TURN RIGHT AND GO NORTH  
APPROX. 0.1 MILE. TURN LEFT AND GO WEST  
APPROX. 0.4 MILES TO EXISTING DUCK #1 WELL.  
FOLLOW PROPOSED ROAD SURVEY ON THE  
SOUTHWEST PAD CORNER OF DUCK #1 WELL. THIS  
LOCATION IS APPROX. 387 FEET NORTHWEST TO  
THE SOUTHEAST CORNER OF PROPOSED PAD.



**MACK ENERGY CORPORATION**

DUCK FEDERAL #2 WELL  
LOCATED 990 FEET FROM THE SOUTH LINE  
AND 1650 FEET FROM THE WEST LINE OF SECTION 5,  
TOWNSHIP 17 SOUTH, RANGE 32 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO.

Survey Date: 01/17/07	Sheet 1 of 1 Sheets
W.O. Number: 07.11.0075	Dr. [Signature] [Signature]
Date: 01/22/07	Disk: CD#5

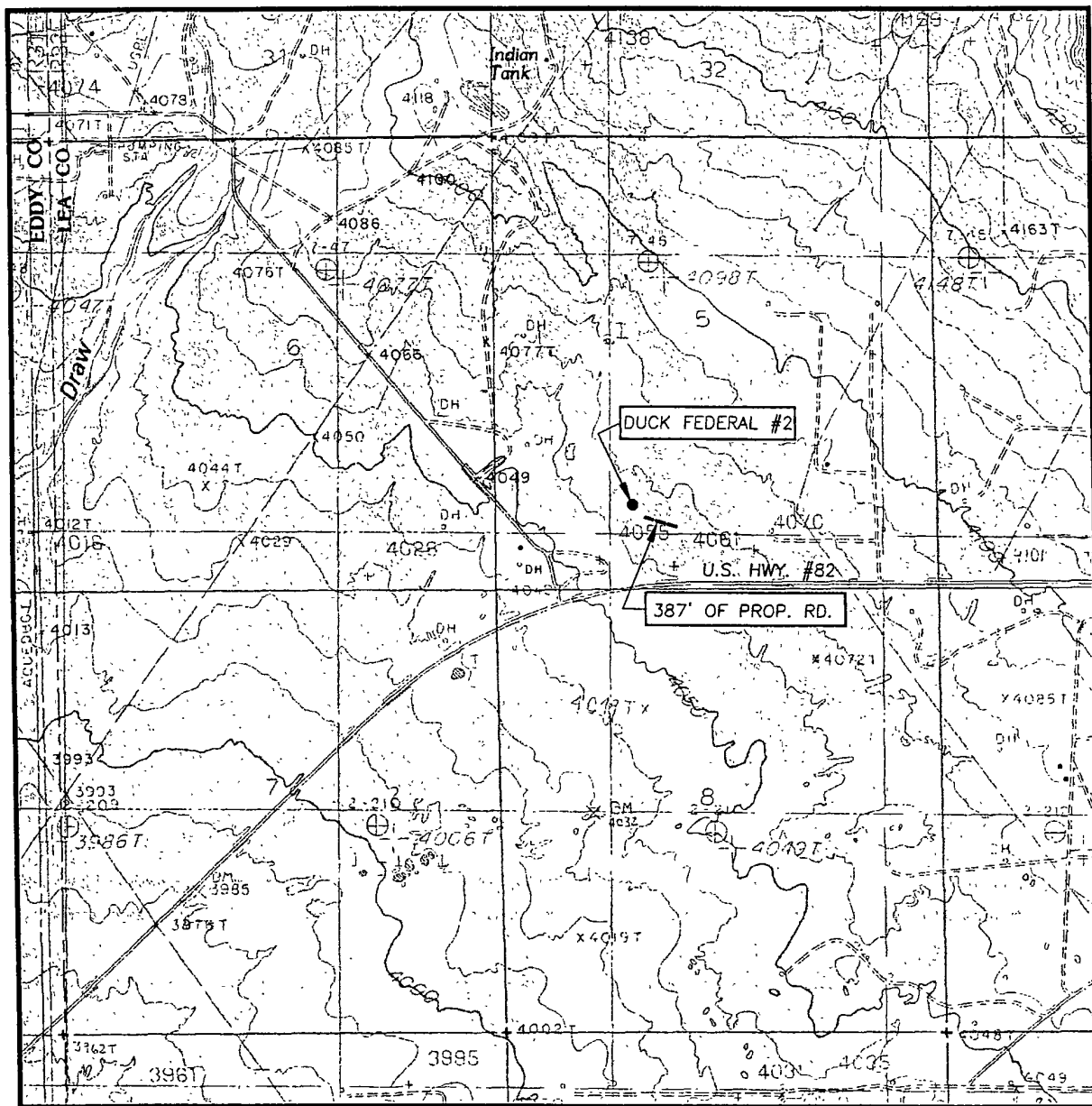
PROVIDING SURVEYING SERVICES  
SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

[illegible]

SCANNED



# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
MALJAMAR, N.M. - 10'

SEC. 5 TWP. 17-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

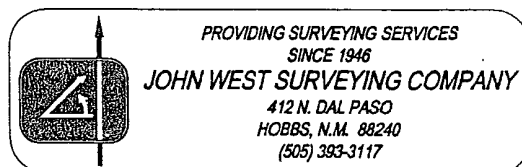
DESCRIPTION 990' FSL & 1650' FWL

ELEVATION 4065'

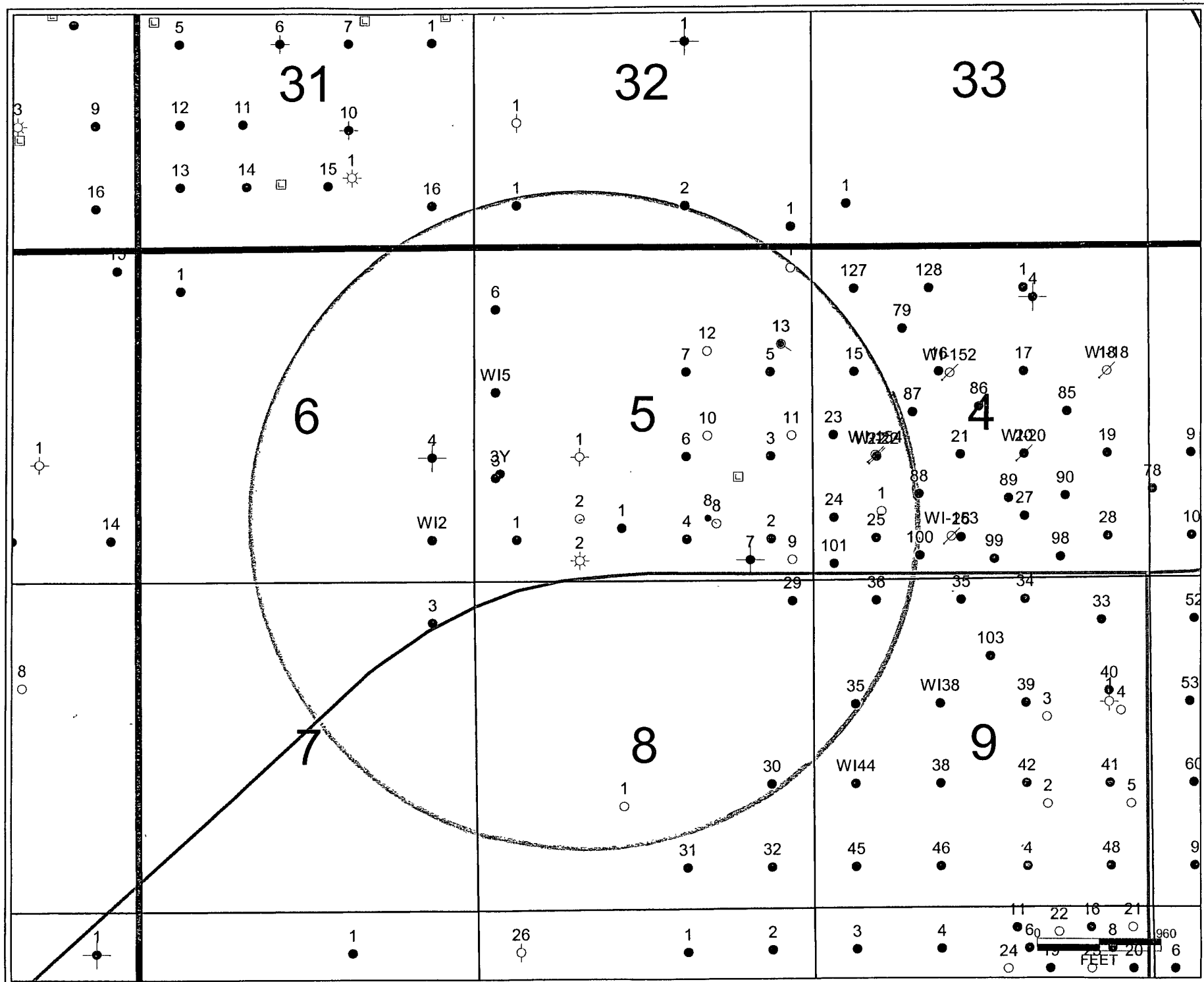
OPERATOR MACK ENERGY CORPORATION

LEASE DUCK FEDERAL

U.S.G.S. TOPOGRAPHIC MAP  
MALJAMAR, N.M.



SCANNED



## **Sec 5 T17S R32E**

### **Mack Energy Corporation**

Grace Mitchell B Federal #2

660 FSL 660 FEL

30-025-08020

Grace Mitchell B Federal #3

1980 FSL 660 FEL

30-025-00468

Grace Mitchell B Federal #4

660 FSL 1980 FEL

30-025-00469

Grace Mitchell B Federal #5

1980 FNL 660 FEL

30-025-00470

Grace Mitchell B Federal #6

1980 FSL 1980 FEL

30-025-08019

Grace Mitchell B Federal #7

1980 FNL 1980 FEL

30-025-20250

Grace Mitchell B Federal #8

907 FSL 1515 FEL

30-025-39495

Grace Mitchell B Federal #9

330 FSL 330 FEL

30-025-39466

Grace Mitchell B Federal #10

2310 FSL 1650 FEL

30-025-39411

Grace Mitchell B Federal #11

2310 FSL 330 FEL

30-025-39412

Grace Mitchell B Federal #12

1650 FNL 1650 FEL

30-025-39413

Grace Mitchell B Federal #13

1540 FNL 490 FEL

30-025-39608

Duck Federal #1

840 FSL 2310 FWL

30-025-38172

Duck Federal #2  
990 FSL 1650 FWL  
30-025-38357

Mallard Federal #1  
330 FNL 330 FEL  
30-025-39522

**Pre-Ongard Well Operator**

Pre-Ongard Well #1  
1980 FSL 1650 FWL  
30-025-08018

Pre-Ongard Well #1  
660 FSL 660 FWL  
30-025-12744

Pre-Ongard Well #2  
330 FSL 1650 FWL  
30-025-00400

Pre-Ongard Well #3  
1650 FSL 330 FWL  
30-025-00471

Pre-Ongard Well #3Y  
1720 FSL 400 FWL  
30-025-20541

Pre-Ongard Well #5  
2310 FNL 330 FWL  
30-025-00473

Pre-Ongard Well #6  
990 FNL 330 FWL  
30-025-00474

Pre-Ongard Well #7  
330 FSL 990 FWL  
30-025-00472

**Sec 6 T17S R32E**

**Primo Operating Inc**

Lightcap Land Company #2  
660 FSL 660 FEL  
30-025-00476

**Pre-Ongard Operation**

Pre-Ongard Well #4  
1980 FSL 660 FEL  
30-025-00477

**Sec 4 T17S R32E**

**Sandridge Exploration and Production LLC**

Maljamar Grayburg Unit #21  
1980 FSL 2310 FWL  
30-025-00454  
Maljamar Grayburg Unit #88  
1352 FSL 1663 FWL  
30-025-33365  
Maljamar Grayburg Unit #100  
377 FSL 1667 FWL  
30-025-33298

**Wiser Oil Company**

Maljamar Grayburg Unit #22  
1958 FSL 1009 FWL  
30-025-00457  
Maljamar Grayburg Unit #23  
2310 FSL 330 FWL  
30-025-00461

**Chevron USA INC**

Maljamar Grayburg Unit #24  
990 FSL 330 FWL  
30-025-00460  
Maljamar Grayburg Unit #26  
660 FSL 2310 FWL  
30-025-00458

**Forest Oil Corporation**

Maljamar Grayburg Unit #15  
1980 FNL 660 FWL  
30-025-00467  
Maljamar Grayburg Unit #25  
660 FSL 990 FWL  
30-025-00459

**Sec 8 T17S R32E**

**Mack Energy Corporation**

Mack Energy Corporation  
1650 FSL 2310 FWL  
30-025-39527

**Forest Oil Corporation**

Maljamar Grayburg Unit #30  
1980 FSL 660 FEL  
30-025-20279

**Sandridge Exploration and Production, LLC**

Maljamar Grayburg Unit #29  
330 FNL 330 FEL  
30-025-20223

**Sec 9 T17S R32E**

**Chevron USA Inc**

Maljamar Grayburg Unit #36  
330 FNL 990 FWL  
30-025-00485  
Maljamar Grayburg Unit #37  
1980 FNL 660 FWL  
30-025-21376

**Sec 7 T17S R32E**

**Pre-Ongard Well Operator**

Pre-Ongard Well #3  
660 FNL 660 FEL  
30-025-00478

**Sec 32 T16S R32E**

**Hudson Oil Company of Texas**

New Mexico State #1

660 FSL 660 FWL

30-025-00428

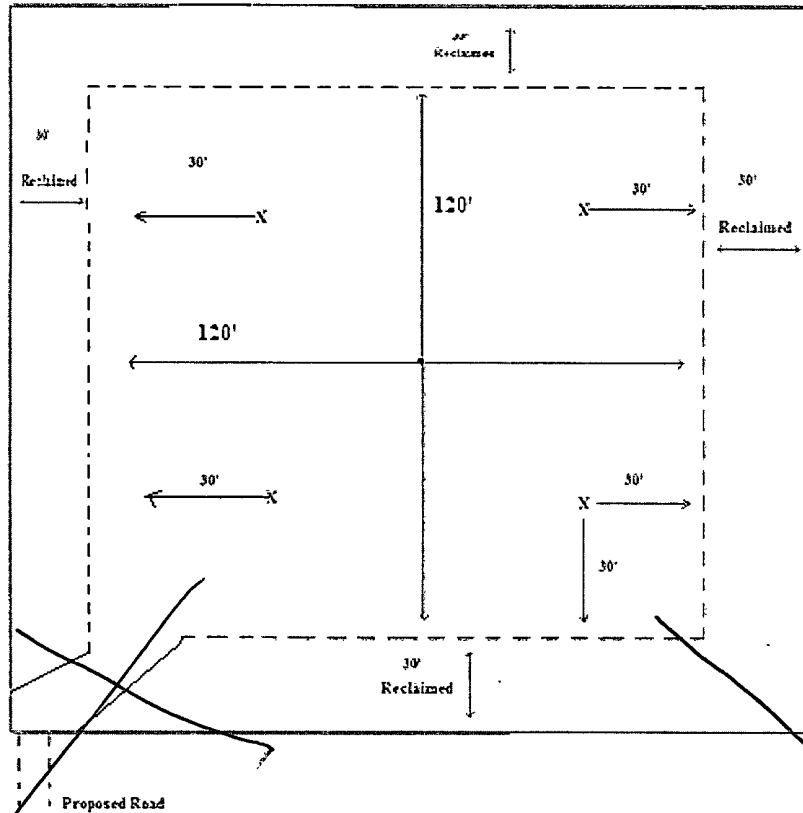
Indian Tank #2

660 FSL 1980 FEL

30-025-35096



- C. Diagram below shows the proposed downsized well site after Interim Reclamation. Dimensions are estimates on present conditions and are subject to change.



*Proposed Road*