

**New Mexico Oil Conservation Division, District 1
1625 N. French Drive
Hobbs, NM 88240**

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No 1004-0135
Expires March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1 Type of Well

Oil Well Gas Well Other

2 Name of Operator

Mack Energy Corporation

3 Address and Telephone No

P.O. Box 960 Artesia, NM 88211-0960 (505)748-1288

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

660 FSL & 1980 FEL, Sec. 29-T15S-R30E

5 Lease Designation and Serial No

NMNM-119274

6 If Indian, Allottee or Tribe Name

7 If Unit or CA, Agreement Designation

8 Well Name and No

Peery Federal #2

9 API Well No

30-005-00515

10 Field and Pool, or Exploratory Area

Little Lucky Lake;Morrow

11 County or Parish, State

Chaves, NM

12 CHECK APPROPRIATE BOX(S) 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"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>extend pad to build TB</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note Report results of multiple completion on Well Completion or Recompletion Report and Log form)

13 Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work)*

Mack Energy Corporation is requesting approval to extend a small portion of the Peery Federal #2 pad in order to build a production facility. The Peery Federal #2 well will be plugged and only the production facility will remain.

Attached is a plat to use in reference to this proposal.

14 I hereby certify that the foregoing is true and correct

Signed Jerry W. Sherrill

Title Production Clerk

Date 6/5/08

(This space for Federal or State office use)

Approved by /s/ Jerry Dutchover

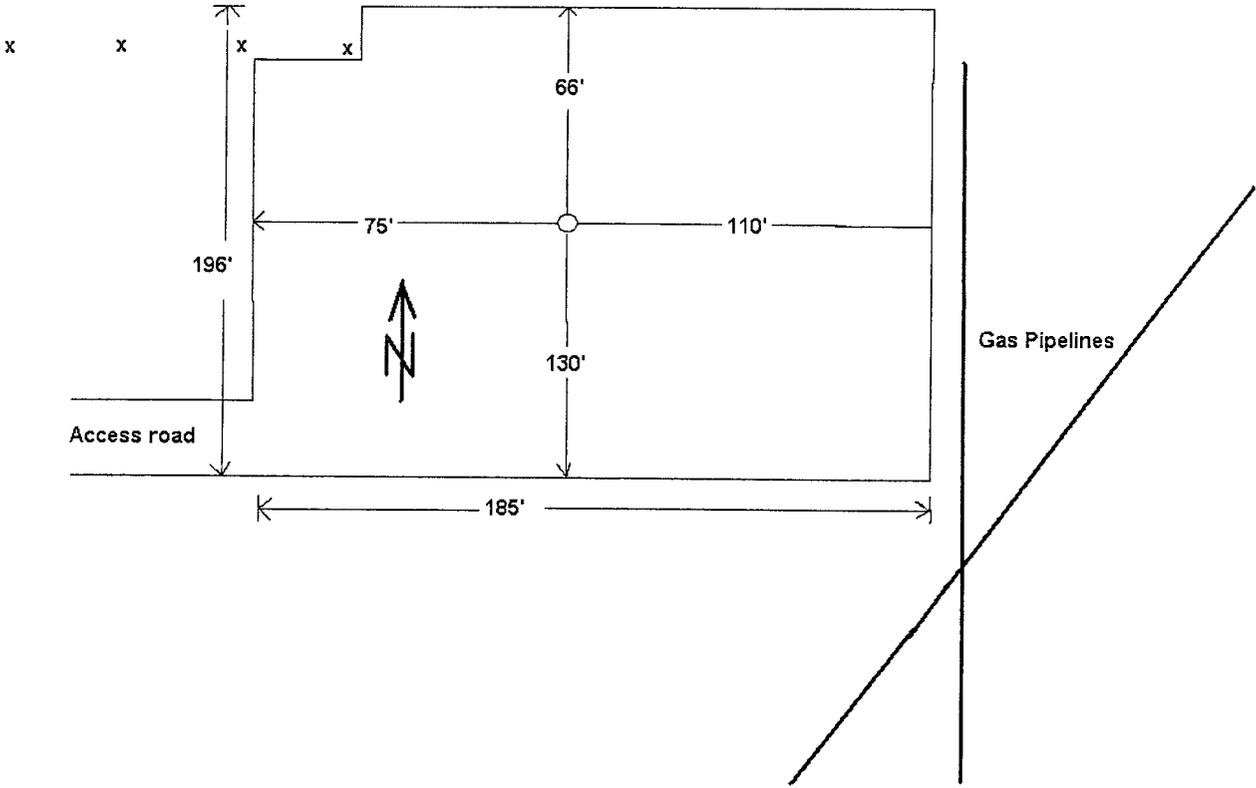
Title Acting Assistant Field Manager,
Lands And Minerals

Date JUN 17 2008

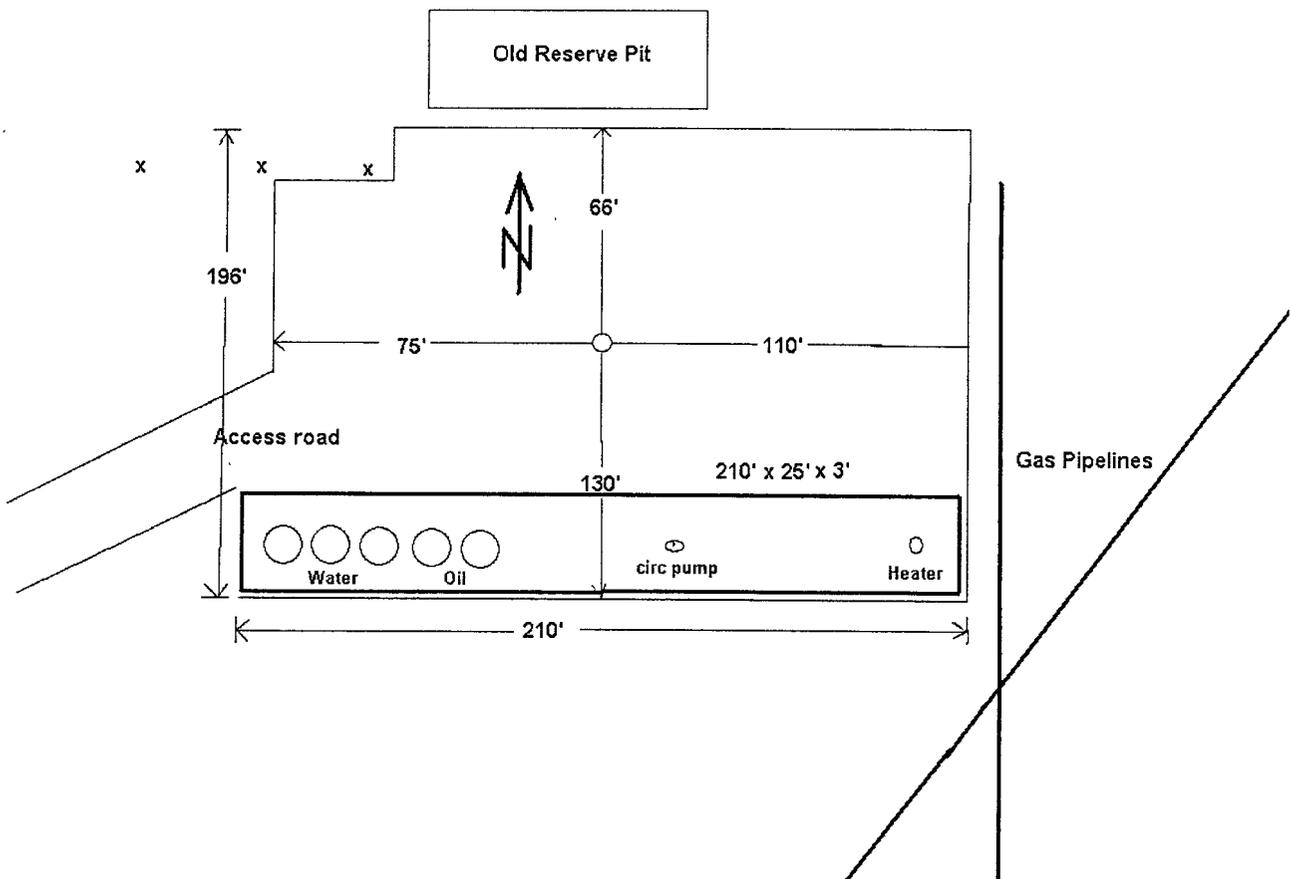
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

•See Instruction on Reverse Side

Peery Federal #2 existing location



Peery Federal #2 proposed location changes





United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.blm.gov/nm



EXHIBIT B

ROSWELL FIELD OFFICE - BLM
BLM Serial Number: NMNM-119274
Company Name: Mack Energy Corporation
Well Name and Number: Peery Federal #3 - Flowline

STANDARD STIPULATIONS FOR SURFACE INSTALLED FLOWLINES IN THE ROSWELL FIELD OFFICE, BLM

1. A SUNDRY NOTICE WAS USED FOR APPROVAL OF THE ON-LEASE SURFACE FLOWLINE CONSTRUCTION.

2. The holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer, BLM.

3. The BLM shall administer compliance and monitor construction of the flowline. Notify **Richard G. Hill** at least **3** working days (72 Hours) prior to commencing construction of the flowline. Roswell Field Office number **(505) 627-0247**.

4. Mack Energy Corporation shall submit the plan requesting the acceptance of responsibility and liability as requested by certified mail (7099 3220 0004 0011 4440) dated **June 9, 2008**, for obligations of restoration on Lease NMNM-119274.

5. FLOWLINE CONSTRUCTION:

A.) The 2,743.1 feet of the 2 7/8 inch steel flowline shall be laid on the surface, except at road crossings where the flowline shall be buried 48 inches under all existing road(s).

B.) The holder shall bury the pipeline 48 inches deep under all existing road(s) and the length of the buried segment(s) of pipeline shall extend 30 feet across each road or 15 feet on either side of the centerline of the existing road.

C.) The flowline total length of 2,743.1 feet shall be constructed 25 feet from the centerline of all existing access roads. The centerline of the road to the centerline of flowline shall be 25 feet for the entire length of the surface flowline.

D.) On the Peery Federal #3 well pad; the flowline shall be buried 36 inches until it can be laid alongside the surface of the existing road. Heading east from the Peery Federal #3; the 2 7/8 inch steel flowline shall parallel the north side of the existing road. Once the flowline crosses the existing road the flowline will be laid on the east side of the existing road heading south until it reaches the road going to the Peery Federal #2 well.

On the road going east to the Peery Federal #2 the flowline shall be laid on the north side of the road until it reaches the tie-in point. On the Peery Federal #2 well pad the flowline shall not be laid on the surface and shall be buried 36 inches until it reaches the tank battery tie-in point. (SEE Exhibit A, Peery Federal #3 - Flowline)

E.) The flowline construction operations shall be contained within the perimeters of the road archaeological surveyed area(s).

6. All construction and maintenance activity shall be confined within the authorized flowline corridor width of 20 feet.
7. Minimal blading or clearing of any vegetation is hereby approved by the Authorized Officer.
8. The holder shall install the flowline on the surface in such a manner that will minimize suspension of the flowline across low areas in the terrain. In hummocky or dune areas, the flowline will be "snaked" around hummocks and dunes rather than suspending the flowline across these features.
9. 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 the Sundry Notice approval for construction of a surface flowline.
10. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 *et seq.* (1982) with regards to any toxic substances that are used, generated by or stored on the flowline corridor or on facilities authorized under this approval. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193). Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.

11. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et seq.*) on the pipeline corridor (unless the release or threatened release is wholly unrelated to the holder's activity on the pipeline corridor), or resulting from other activities of the holder on the flowline corridor. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

12. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from flowline rupture, fire, or spills caused or substantially aggravated by any of the following within the flowline corridor or permit area:

a. Activities of the holder including, but not limited to; construction, operation, maintenance, and termination of the facility.

b. Activities of other parties including, but not limited to:

- (1) Land clearing.
- (2) Earth-disturbing and earth-moving work.
- (3) Blasting.
- (4) Vandalism and sabotage.

c. Acts of God.

d. The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

e. This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

13. If, during any phase of the construction, operation, maintenance, or termination of the flowline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal land, the control and total removal, disposal, and cleaning up of such gas, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal land, or to repair all damages resulting therefrom, on the Federal land, 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 the holder of any responsibility as provided herein.

14. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

15. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.

16. All above-ground structures (e.g.: meter houses, tanks, above ground flowlines, and related appurtenance, etc.) not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" designated by the Rocky Mountain Five-State Interagency Committee. The color selected for painting all the well facilities is **Olive Drab, Munsell Soil Color Chart 18-0622 TPX.**

17. The flowline will be identified by signs at the point of origin and completion of the flowline and at all road crossings. At a minimum, signs will state the holder's name, BLM leaser number, and the product being transported. Signs will be maintained in a legible condition for the life of the flowline.

18. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the flowline route is not used as a roadway.

19. The holder shall seed all disturbed areas created by the flowline construction activities. The following seed mixture was determined by the Roswell Field Office for the Desired Plant Community on this flowline project. Sand Hills CP-2 Ecological Site

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Sand bluestem	<i>(Andropogon hallii)</i>	0.50 lb.
Little bluestem	<i>(Schizachyrium scoparium)</i>	0.50 lb.
Sideoats grama,	<i>(Bouteloua curtipendula)</i>	1.50 lbs.
Sand dropseed	<i>(Sporobolus cryptandrus)</i>	0.50 lb.
Spike dropseed	<i>(S. contractus)</i>	0.50 lb.
Mesa dropseed	<i>(S. flexuosus)</i>	0.50 lb.
Plains bristlegrass	<i>(Setaria macrostachya)</i>	2.00 lbs.
Desert or Scarlet	<i>(Sphaeralcea ambigua)</i>	0.50 lb.
Globemallow or	<i>(S. coccinea)</i>	
Buckwheat	<i>(Eriogonum spp.)</i>	1.50 lbs.
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		8.00 lbs.

IF ONE SPECIES IS NOT AVAILABLE, INCREASE ALL OTHER PROPORTIONATELY. NO LESS THAN SIX (6) SPECIES WITH A MINIMUM OF ONE (1) FORB. NO LESS THAN 8.0 POUNDS PLS PER ACRE SHALL BE APPLIED. CERTIFIED WEED FREE SEED.

B. The holder shall be responsible for the establishment of vegetation on the flowline route. Evaluation of vegetation growth will not be made before the completion of the first growing season after seeding. The Authorized Officer reserves the right to require reseeded at a specific time if seed does not germinate after one growing season. Waiver of this requirement would be considered if diligent attempts to revegetate the disturbed areas have failed and the Authorized Officer determines that further attempts to replant the disturbed area is futile.

20. Special stipulation(s):

a. NO SURFACE OCCUPANY (NSO) LEASE STIPULATION

The West ½ of Section 29, T. 15 S., R. 30 E. is designated No Surface Occupancy (NSO) and shall be strictly enforced. The NOS affects the Peery Federal #3 well and no production facilities shall occupy the No Surface Occupancy (NSO) designated areas.

b. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the Peery Federal #2 well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

A containment structure shall be constructed around the tank battery on the Peery Federal #2 well pad. 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.

c. WELL HEAD MARKER FOR THE PEERY FEDERAL #2 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 well location and identity shall be permanently inscribed. A weep hole shall be left in the metal plate is welded in place.



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EXHIBIT A

ROSWELL FIELD OFFICE - BLM
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