

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

RECEIVED

Form 3160-5
(August 2007)

UNITED STATES

JUN 07 2010

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HOBBSDO

SUNDRY NOTICES AND REPORTS ON WELLS

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

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

5. Lease Serial No
NMNM-119274

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☒ Oil Well

☐ Gas Well

☐ Other

2. Name of Operator

Mack Energy Corporation

3a. Address

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

3b. Phone No (include area code)

(575) 748-1288

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

8. Well Name and No.

Peery Federal Lease

9. API Well No

10. Field and Pool or Exploratory Area

Little Lucky Lake; Wolfcamp

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

Sec. 29 T15S R30E

11. Country or Parish, State

Chaves, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☒ New Construction	☐ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

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

Mack Energy Corporation proposes to build a new Wolfcamp TB located in the NE/4 SE/4 Sec. 29 T15S R30E, at the Peery #7/#8 locations. The production from these new wells requires a bigger facility, in order to handle the volume of production. We are proposing to extend the east side of the #7/#8 locations 50' by 400' in order to construct this facility. The flowline distances will be less due to the central location of this facility. A gas sales line will also be needed to service this facility. The Abo production will, in turn be produced at our Peery Federal #6 TB located in the SE/4 SE/4 of Sec. 29 T15S R30E. The Peery Federal #2 TB, which current handles Wolfcamp production will be used for testing of new wells.

Producing Wells

Peery #5-Wolfcamp 30-005-21129

Peery #6-Abo *TB location 30-005-29074

Peery #7-Wolfcamp *TB location 30-005-29075

Peery #11-Wolfcamp 30-005-29115

Future Producing Wells

Peery #8-Abo

Peery #9-Wolfcamp

Peery #10-Wolfcamp

Peery #12-Wolfcamp

Peery #13-Wolfcamp

30-005-29116

30-005-29117

30-005-29118

Peery #14-Wolfcamp

Peery #15-Wolfcamp

Peery #16-Abo

Peery #17-Abo

CONDITIONS ATTACHED

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

Jerry W. Sherrell

Title Productive

Signature

Jerry W. Sherrell

Date 4/1/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

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

Title Environmental Protection Spec.

Date 5/26/10

Office

ROSWELL FIELD OFFICE

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

(Instructions on page 2)

K PETROLEUM ENGINEER
JUN - 8 2010

PLAN OF DEVELOPMENT

Mack Energy Corporation
Peery Federal Lease
Section 29 T15S R30E
Chaves County, New Mexico

Forms 3160-5 (Sundry to construct New Tank Battery) Due to be submitted requesting new larger facility to handle increased production. This applications are presently being held pending the submittal of a "Plan of Development".

WELL LOCATIONS

Attachment 1 shows the locations of existing and proposed wells, as well as current and proposed facilities. Mack energy has a total of 19 wells on this lease. Wells consist of Abo, Wolfcamp and SWD. **Current:** #4-SWD, #5-Wolfcamp, #6-Abo, #7-Wolfcamp, #11-Wolfcamp. **Proposed:** #8-Abo, #9-Wolfcamp(Drilling), #10-Wolfcamp, #12-Wolfcamp, #13-Wolfcamp, #14-Wolfcamp, #15-Wolfcamp, #16-Abo, #17-Abo.

PRODUCTION FACILITIES

Attachment 1 depicts the present and proposed facilities. **Current:** Wolfcamp production is being produced at the facility located at the Abandoned #2 location. Abo production is being produced at the #6 well location. **Proposed:** We are proposing to build a new Wolfcamp facility at the site of the #7/#8 locations which are combined. The east edge of these two locations will be extended 50' to the east and 400' parallel to these locations, see attachment 2. This facility will contain 1 8'x20' water knock out, 3 30"x10' separators, 3 8'x20' heaters, 4 1000bbl oil tanks, 2 500bbl water tanks. We will continue to use the other Abo and Wolfcamp facilities as needed.

PIPELINES

All existing gas lines and flow lines are shown on Attachment 1. The proposed facility will require a gas sales line to be installed, via DCP. All proposed wells will be connected to these facilities according to production status.

POWER LINES

Attachment 1 shows the existing and future wells, due to the existing power line system minimal powerline construction is needed. Future power line will be confined to access road right of way.

If you have any questions please let me know at (575) 748-1288.

Jerry W. Sherrell
Production Clerk
April 1, 2010

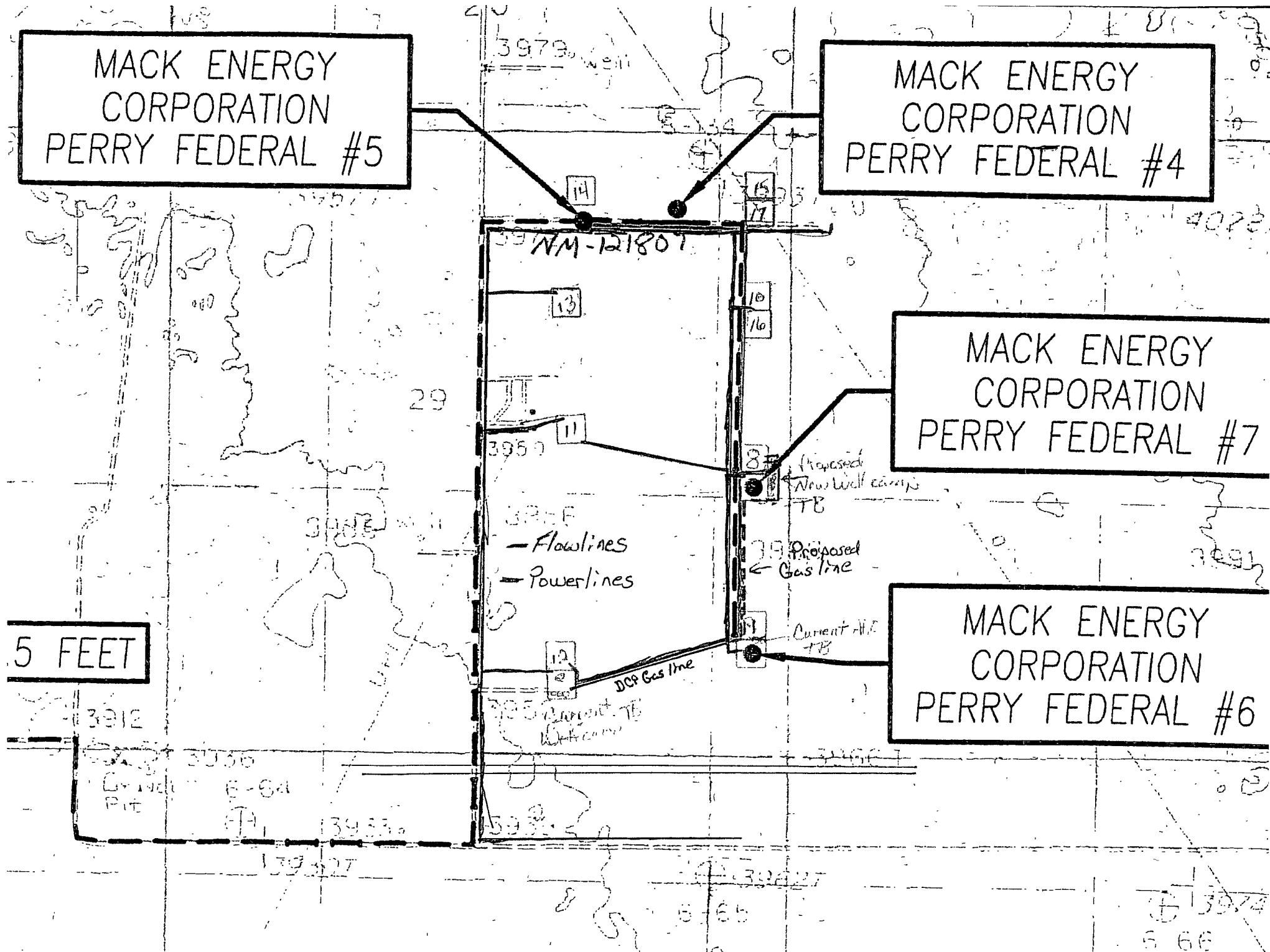
MACK ENERGY
CORPORATION
PERRY FEDERAL #5

MACK ENERGY
CORPORATION
PERRY FEDERAL #4

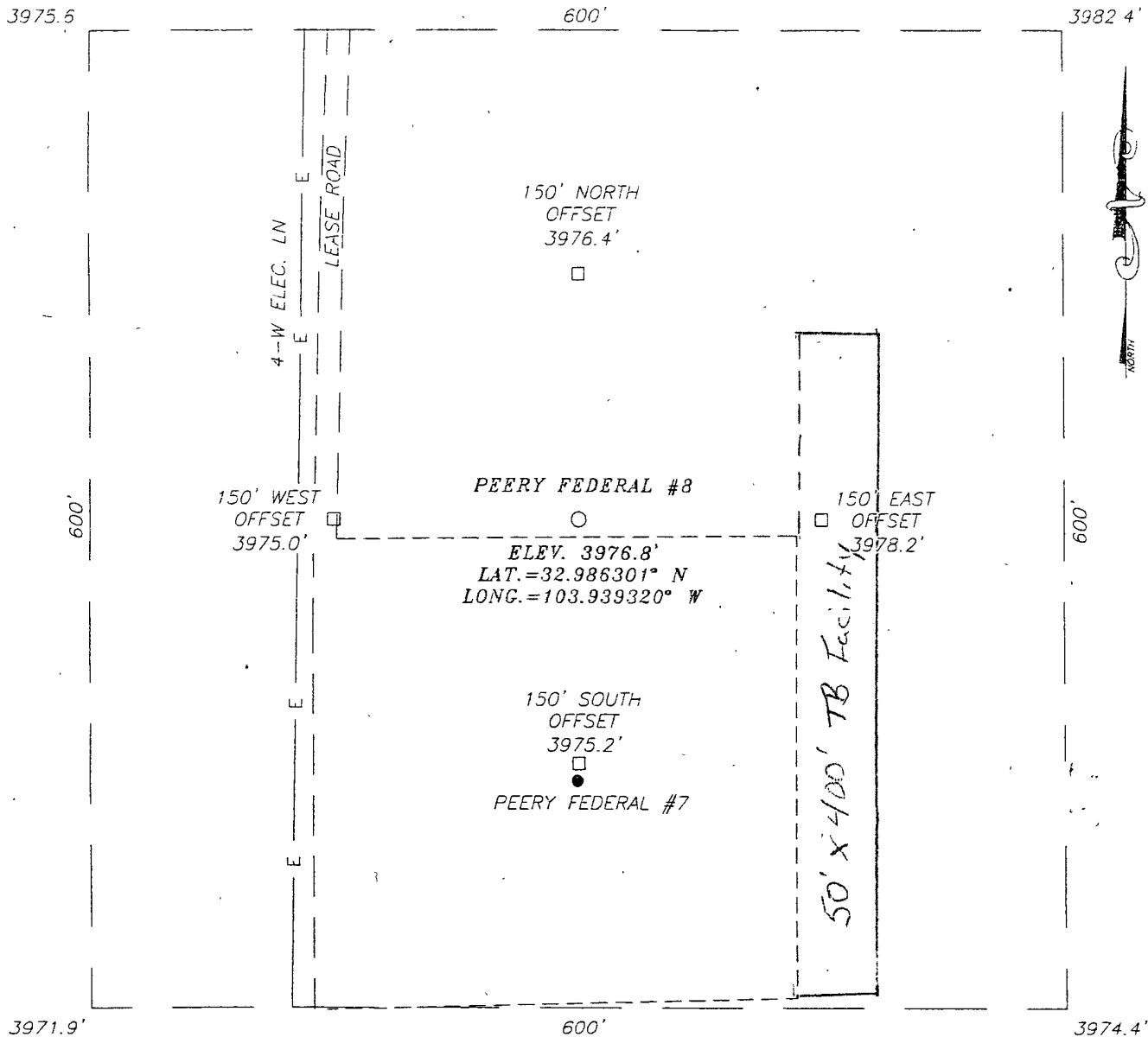
MACK ENERGY
CORPORATION
PERRY FEDERAL #7

MACK ENERGY
CORPORATION
PERRY FEDERAL #6

5 FEET

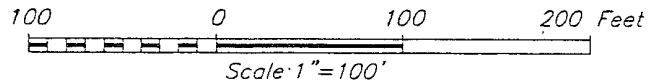


SECTION 29, TOWN. 11P 15 SOUTH, RANGE 30 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION .

FROM THE INTERSECTION OF CO. RD. #217 (HAGERMAN CUTOFF) AND CO. RD. #256 (BOOGER LANGSTON), GO NORTH ON CO. RD. #217 APPROX. 1.8 MILES. TURN RIGHT AND GO EAST APPROX. 1.5 MILES TURN RIGHT AND GO SOUTH APPROX. 0.2 MILES. TURN LEFT AND GO EAST APPROX. 0.6 MILES. TURN LEFT AND GO NORTH APPROX. 1.0 MILES. TURN RIGHT AND GO EAST APPROX. 0.4 MILES. TURN RIGHT AND GO SOUTH APPROX. 0.4 MILES THIS LOCATION STAKE IS APPROX 150 EAST.



MACK ENERGY CORPORATION

PEERY FEDERAL #3 WELL
LOCATED 2445 FEET FROM THE SOUTH LINE
AND 330 FEET FROM THE EAST LINE OF SECTION 29,
TOWNSHIP 15 SOUTH, RANGE 30 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

Survey Date: 10/7/09	Sheet 1 of 1 Sheets
W.O. Number: 09.11.0902	Dr By LA
Date: 10/13/09	09110902
	Scale: 1"=100'

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

RECEIVED

JUN 07 2010

HOBBSOCD

**PECOS DISTRICT - RFO
CONDITIONS OF APPROVAL**

May 26, 2010

**OPERATORS NAME: Mack Energy Corporation
LEASE NO.: NM- 119274
FACILITY NAME: Facility A Wolfcamp
SURFACE: 2285' FSL & 225' FWL
LOCATION: Section 29, T. 15 S., R. 30 E., NMPM
COUNTY: Chaves County, New Mexico**

GENERAL PROVISIONS

The approval of the Sundry 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. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

I. CONDITIONS OF APPROVAL

All conditions mentioned below must be met for the following construction of this facility.

II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

III. 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.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of Facility. Notify the Roswell Field Office at (505) 627-0209 at least 3 working days prior to commencing construction of the Facility.

When construction operations are being conducted on this Facility, the operator shall have the approved Sundry and Conditions of Approval on the Facility site and they shall be made available upon request by the Authorized Officer.

B. Power line:

All power lines to Facility shall be buried.

C. PITS:

No pits allowed

D. Facility Diagram:

Upon completion of facility, operator shall submit a facility diagram according to 43 CFR 3162.7-5 (d).

V. FEDERAL MINERAL MATERIALS PIT:

Payment shall be made to the BLM prior to removal of any federal mineral materials from any site. Call the Roswell Field Office at (505) 627-0236.

A. 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.

B. 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).

VI. VRM Facility Requirement

Tanks not greater than fifteen-feet-high shall be used.

VII. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses. Earthwork for interim and final reclamation must be completed within 6 months of well completion or well plugging (weather permitting). The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

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.

1. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

- a) Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval.
- b) 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).
- c) Surface Reclamation must be completed within 6 months of well plugging. If the operator proposes to modify the plans for surface reclamation approved on the APD, the operator must attach these modifications to the Subsequent Report of Plug and Abandon using Sundry Notices and Reports on Wells, Form 3160-5.

VIII. SEASONAL DRILLING REQUIREMENT

1. Lesser Prairie Chicken Stipulation:

The Roswell Approved Resource Management Plan and Record of Decision addresses the preservation of the Lesser Prairie Chicken wildlife habitat.

- a.** There shall be no earthmoving construction activities, well exploratory and/or developmental drilling, well completion, plugging and abandonment activities, **between March 1st through June 15th**, of each year. During that period, other activities, including the operation and maintenance of oil and gas facilities, will not be allowed **between 3:00 A.M. and 9:00 A.M.**. To the extent practicable, activities occurring for a short period of time may be conducted so long as they do not commence until after **9:00 A.M.**. Any deviation from this stipulation must be approved in writing by the Roswell Field Office Manager or the appropriate Authorized Officer.
- b.** All motors or engines that produce high noise levels shall have mufflers installed that effectively reduce excessive noise levels within prairie chicken habitat. High noise levels produced by motors or engines shall be reduced and muffled so as not to exceed **75 db** measured at 30 feet from the source of the noise.
- c.** Upon abandonment of the well, reclamation activities can be conducted between **March 1st through June 15th**, so long as reclamation work shall not be conducted between the hours of **3:00 AM to 9:00 AM**. Any deviation from this requirement shall require prior approval by the Authorized Officer.
- d.** In an emergency situation, the Authorized Officer can allow a pit to be constructed for the purpose of collecting crude oil for removal. To prevent wildlife from entering the pit, netting of adequate size to deter access by wildlife shall cover the pit until it is no longer a threat to wildlife, and the pit is reclaimed.