

United States Department of the Interior
Bureau of Land Management
Pecos District, Roswell Field Office
October, 2008

Categorical Exclusion Documentation
CX NM-510-2008-125
Peery Federal #4 (SWD)
Mack Energy Corporation

A. Proposed Action

Lease No.: NM-119274

Proposed Action Title:

Mack Energy Corporation filed an Application for Permit to Drill or Reenter (APD) on July 17, 2008, for the *Peery Federal #4*. Mack Energy Corporation proposes to convert the Peery Federal #4 well to a Salt Water Disposal well. The Application for Permit to Drill is considered a complete APD.

The Notice of Staking (NOS) for the Peery Federal #4 well was received July 17, 2008. When the onsite was conducted on July 25, 2008, under the Notice of Staking (NOS), there were no impacts to the environment that would have changed the surface use plan on the proposal to drill the well.

Location of Proposed Action:

Surface Location: 660' FNL and 990' FEL, Section 29, T. 15 S., R. 30 E.;
Chaves County, New Mexico, NMPM.

Description of Proposed Action:

- Mack Energy Corporation proposes to re-enter the No.4 Peery Federal a Plugged and Abandoned well to convert it to a *Salt Water Disposal well*.
- ACCESS ROAD: The entire access road system is 19,285 feet in length, starting from Hagerman Cut Off (State Road 217) to the well pad. Mack Energy Corporation has an existing road right-of-way number NM-120085 that they will utilize to access the well location. Mack Energy Corporation proposes to renovate/construct approximately 785 feet of the existing road that needs a better driving surface to the well location. The road is already in place and has a driving surface (travelway) that is 14 feet wide and will have a maximum surface disturbance width of 30-feet. All other existing access roads would be maintained in a good or better condition than those existing at commencement of operations.

- WELL PAD: Within the 600' X 600' arch survey area, the existing proposed well pad would be renovated/constructed 250 feet long by 200 feet wide. There will be no reserve pit as the operator is using a closed-loop system to drill this well. Standard oilfield construction equipment consisting of; track-type tractors, motor graders, dump trucks and water trucks would be used to upgrade the access road and drill the well. A rotary drilling rig would be used to drill the well to a depth of 11,976 feet. Associated facilities (e.g., pipeline, tank batteries, water pump, etc.) would be installed for the operational phase of this well.
- Mineral material (caliche/gravel) for surfacing the access road and well pad could be obtained by the operator from a federal pit in the NE¼SW¼ of Section 17, T. 15 S., R. 30 E., Chaves County, New Mexico. Material could also be obtained from plugged and abandoned oil and gas well pads and roads.

Applicant:

Mack Energy Corporation
P.O. Box 960
Artesia, New Mexico 88210-0960

B. Land Use Plan (LUP) Conformance

LUP Name: Roswell Resource Management Plan as Amended Approved: October 1997

The proposed action is in conformance with the applicable LUP because it is specifically provided for in the following LUP decisions:

Minerals Management, Fluid Minerals Goal: *Provide for the leasing, exploration and development of oil and gas resources within the Roswell Resource Area.*

C. Applicable National Environmental Policy Act (NEPA) documents and other related documents that cover the proposed action.

Other document: Number 5ROR-085 to Environmental Assessment NM-060-81-088 Oil and Gas Leasing. Date Approved: August 16, 1985

D. Compliance with NEPA

The Proposed Action is categorically excluded from further documentation under the National Environmental Policy Act (NEPA) in accordance with Energy Policy Act 2005; P.L.109-58.

Energy Policy Act of 2005 (P.L. 109-58)

Directs Federal agencies to undertake efforts to ensure energy efficiency, and the production of secure, affordable, and reliable domestic energy.

- The proposed Application for Permit to Drill (APD) is within a developed oil and gas field. A developed field is defined as any field in which a confirmation well has been drilled.
- There is an existing NEPA document (including that supporting a land use plan) that contains a reasonably foreseeable development scenario encompassing this action. The '97 Roswell Resource Management Plan (RMP) contains the reasonable-foreseeable-development projection (RFD). Using the RMP in conjunction with the Record of Categorical Exclusion Review done for the No.4 Peery Federal a Plugged and Abandoned well yields enough impacts analyses to cover the proposed action(s).
- *Categorical Exclusion Citation: Individual surface disturbances of less than five (5) acres so long as the total surface disturbance on the lease is not greater than 150 acres and site-specific analysis in a document prepared pursuant to the National Environmental Policy Act (NEPA) has been previously completed.*
- This categorical exclusion is appropriate in this situation because there are no extraordinary circumstances potentially having effects that may significantly affect the environment.
- Exhibit A - APD; PECOS DISTRICT – RFO; CONDITIONS OF APPROVAL
Exhibit B - Project Map

Prepared By:

Date:

Richard G. Hill - Environmental Protection Specialist

D: Signature

 Angel Mayes
 Assistant Field Manager – Lands & Minerals

 Date

As this is an Energy Act CX under Section 390 Categorical Exclusions for Oil and Gas Development under the Energy Policy Act of 2005, a sufficient review is not required to determine if any of the extraordinary circumstances apply (516 DM 2, Appendix 2).

DECISION:

The Application for Permit to Drill or Reenter (APD) is in compliance with the 1997 Roswell Resource Management Plan, as amended. This proposed action also has been reviewed to determine if the proposed action conforms to the land-use planning terms and conditions required by 43 CFR 1610.5. This action does not conflict with existing county land-use planning or zoning.

Administrative Review and Appeal: Under BLM regulations, this Decision Record (DR) is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this DR must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation.

Such a request must be filed in writing with the State Director, Bureau of Land Management, 1474 Rodeo Road, Santa Fe, NM 87505, no later than 20 business days after this DR is received or considered to have been received.

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals, as provided in 43 CFR 3165.4.

Angel Mayes
Assistant Field Manager – Lands & Minerals

Date

EXHIBIT A

PECOS DISTRICT - RFO

CONDITIONS OF APPROVAL

October, 2008

OPERATORS NAME: Mack Energy Corporation
LEASE NO.: NM-119274
WELL NAME & NO: Peery Federal #4 (SWD)
SURFACE HOLE FOOTAGE: 660' FNL & 990' FEL
LOCATION: Section 29, T. 15 S., R. 30 E., NMPM
COUNTY: Chaves County, New Mexico

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

I. 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).

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 renovation of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 at least 3 working days prior to commencing renovation of the access road and/or well pad.

When renovation 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.

B. TOPSOIL:

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

C. CLOSED LOOP SYSTEM: No reserve pit shall be used.

The operator shall use a **Closed Loop System** instead of a reserve pit. The drill hole cuttings shall be properly disposed of at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT:

If the operator elects to surface the access road and/or well pad, payment for the mineral materials extracted from BLM lands shall be made prior to removal of any federal mineral materials. Call the Roswell Field Office at (505) 627-0236.

E. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may 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.

F. ON LEASE ACCESS ROADS:

Road Egress and Ingress

The access road shall be renovated/constructed to access the southwest corner of the well pad.

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 existing access road or pad, the surfacing material may 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.

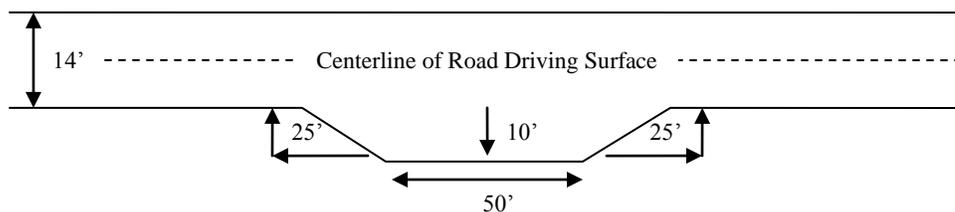
Crowning

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.

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:

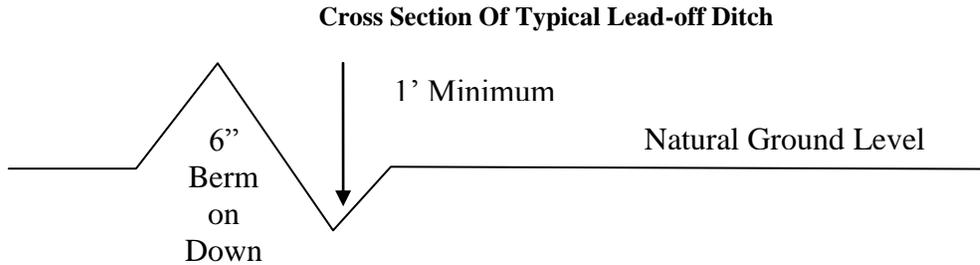
Standard Turnout – Plan View



Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outcropping 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.



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

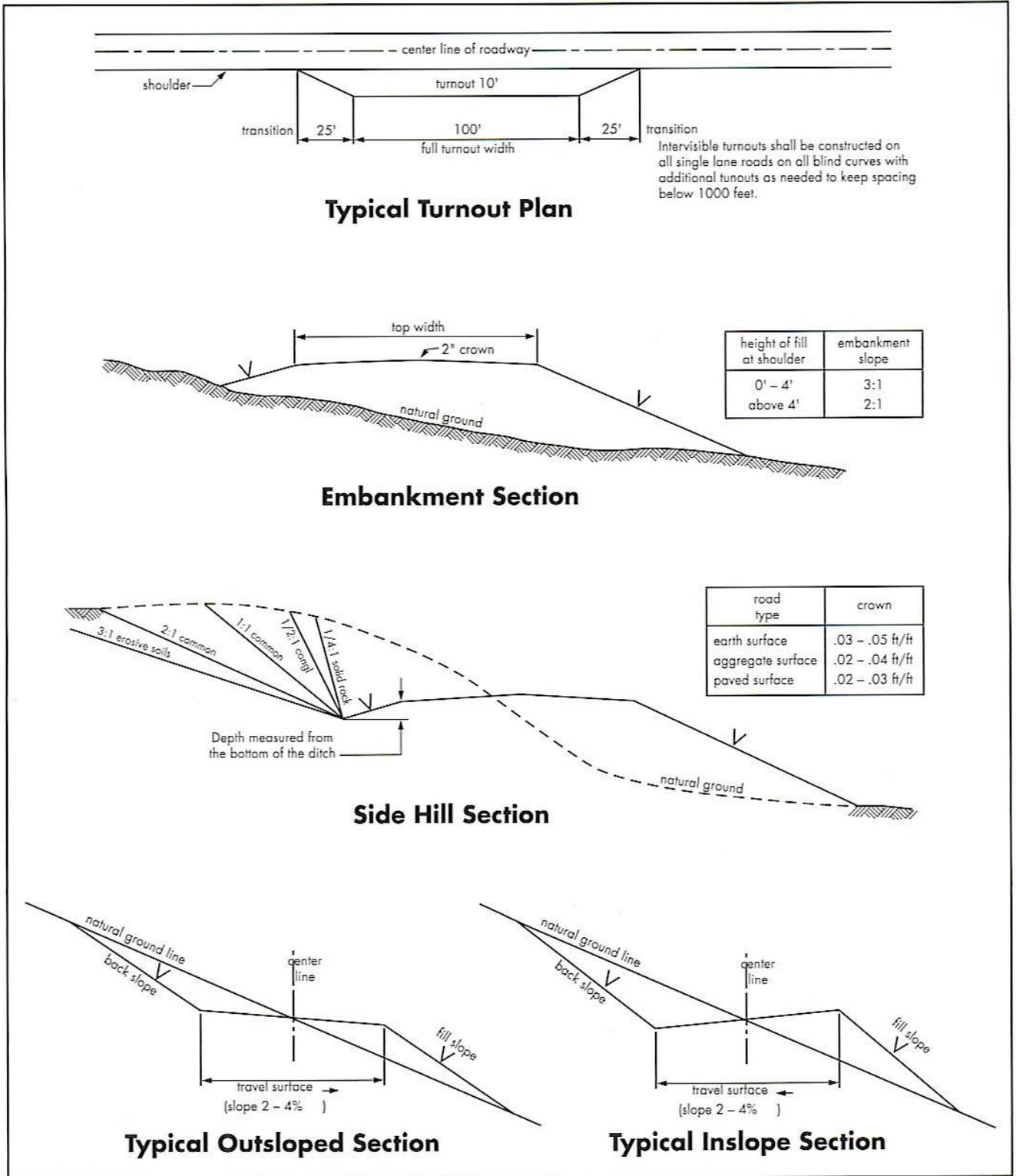
Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

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

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201. During office hours call (575) 627-0205 and after hours call (575) 910-6024. Engineer on call during office hours call (575) 627-0272 or after hours call (575) 626-5749.

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

a. Re-Entry

b. BOPE Tests

3. Include the API No. assigned to well by NMOCD on the subsequent report of re-entry.

B. PRESSURE CONTROL:

1. Before drilling into the **cement plug set at the base of the 11-3/4 inch surface casing from 500 feet to 320 feet**, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling into the **cement plug set at the base of the 8-5/8 inch intermediate casing from 5050 feet to 4770 feet**, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling into the **cement plug set at the base of the 11-3/4 inch surface casing from 500 feet to 320 feet**, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi. Before drilling into the **cement plug set at the base of the 8-5/8 inch intermediate casing from 5050 feet to 4770 feet**, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **3000** psi.

3. The BOPE shall be installed before drilling into the **cement plug set at the base of the 8-5/8 inch intermediate casing from 5050 feet to 4770 feet**, 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 4 hours in advance for a representative to witness the tests.

b. The tests shall be done by an independent service company.

c. 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.

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

e. 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.

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

4. A clear copy of the original pressure test chart for the casing integrity test required by the New Mexico Oil Conservation Division (NMOCD) for a water injection or disposal well shall be submitted to the BLM Roswell Field Office.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation 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 from the Standard environmental colors.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

Upon completion of the salt water disposal well, interim reclamation shall be conducted on the well site. Must be completed with six (6) months of well completion or well plugging. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of salt water disposal operations should undergo “interim” reclamation in order to minimize the environmental impacts of development on other resources and uses.

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 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.

B. SEED MIXTURE

The operator should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions in the well pad should allow for remedial well operations, as well as, to provide a safe working area.

The disturbed areas shall be seeded as follows:

PECOS DISTRICT, BLM
SEED MIX FOR
(CP-2 Sand Hills 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>	<u>1.50 lbs.</u>
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 OF CERTIED WEED FREE SEED.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

- a. Upon abandonment of the salt water disposal well and/or when the access road is no longer in service, a Notice of Intent to Abandon on a Sundry Notices and Reports on Wells (Form 3160-5), describing the proposed surface restoration procedure shall be submitted for approval.
- b. The operator is responsible for reclaiming any surface disturbance that resulted from this actions, even if the well was not drilled.

c. WELL HEAD MARKER FOR THE PEERY FEDERAL #4 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 to the metal plate with a beaded weld. A weep hole shall be left in the metal plate that is welded in place.