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 and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised August 1, 2011

Permit

RECEIVED
JUN 21 2013
NMOCD ARTESIA

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

[1] Operator Name and Address	[2] OGRID Number
Ray Westall Operating, Inc. P.O. Box 4 Loco Hills, NM 88255	119305
	[3] API Number 30-015-23350

[4] Property Code	[5] Property Name	[6] Well No.
39972	State B 14 SWD	1

[7] Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
P	14	18 S	28 E		660'	South	990'	East	Eddy

[8] Pool Information

SWD; Bone Spring - Wolfcamp / SWD; Cisco	96096 / 96099

Additional Well Information

[9] Work Type	[10] Well Type	[11] Cable/Rotary	[12] Lease Type	[13] Ground Level Elevation
E	S	R	S	3538.5'
[14] Multiple	[15] Proposed Depth	[16] Formation	[17] Contractor	[18] Spud Date
N	9850' PBTD	Cisco	TBD	7/15/2013

Depth to Ground water	Distance from nearest fresh water well	Distance to nearest surface water
~150'	> 1 mile	n/a

[19] Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surface	17.5"	13.375"	54.5#	459'	425 'C'	Circ. to Surf.
Intermediate	11.0"	8.625"	32#	3084'	1015 'C'	Circ. to Surf.
Production	7.875"	5.5"	17 & 20#	10078'	875 'H' + 500	Circ. to Surf.

Casing/Cement Program: Additional Comments

New 5.5" will be run and tied into stub w/overshot seal and casing patch. This casing will be cement circulated to surface.
Existing 5.5" TOC is currently 6610' by Temp. Casing will be shot and squeezed to effectively tie cement sheath for continuous seal.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Hydraulic or Man./Dbl. Blind Ram	3000 psi	5000 psi	Shaffer/Hydril or equivalent

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.
I further certify that the drilling pit will be constructed according to NMOCD guidelines [X], a general permit [ ], or an (attached) alternative OCD-approved plan [ ].

Printed name: Ben Stone
Title: Agent for Ray Westall Operating, Inc.
E-mail Address: ben@sosconsulting.us
Date: 6/19/2013 Phone: 903-488-9850

OIL CONSERVATION DIVISION

Approved By: T. C. Shepard
Title: Geologist
Approved Date: 6/21/2013 Expiration Date: 6/21/2015

Conditions of Approval Attached

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-015-23350	96096	SWD; Bone Spring-Wolfcamp

[4] Property Code	[5] Property Name	[6] Well Number
39972	State B 14 SWD	1

[7] OGRID No.	[8] Operator Name	[9] Elevation
119305	Ray Westall Operating, Inc.	3538.5 feet

[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
P	14	18-S	28-E		660	South	990	East	Eddy

[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

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
n/a	n/a	n/a	SWD- (Pending)

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.

16

990 feet

660 feet

[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.

Signature — Date: 6/19/2013

Benjamin E. Stone
Printed Name

SOS Consulting, LLC agent for:
Ray Westall Operating, Inc.

[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.

March 10, 1980
Date of Survey

Signature and Seal of Professional Surveyor:

John West

Cert. No.676
Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-015-23350	96099	SWD; Cisco

[4] Property Code	[5] Property Name	[6] Well Number
39972	State B 14 SWD	1

[7] OGRID No.	[8] Operator Name	[9] Elevation
119305	Ray Westall Operating, Inc.	3538.5 feet

[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
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n/a	n/a	n/a	SWD- (Pending)

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.

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990 feet

660 feet

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Signature — Date: 6/19/2013

Benjamin E. Stone
Printed Name

SOS Consulting, LLC agent for:
Ray Westall Operating, Inc.

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March 10, 1980
Date of Survey

Signature and Seal of Professional Surveyor:

John West

Cert. No.676
Certificate Number

Ray Westall Operating, Inc.
State B-14 Well No.1 SWD
Section 14, Twp 18-S, Rng 28-E
Eddy County, New Mexico

Well Re-entry Program

Objective: Re-enter the existing wellbore by drilling out all plugs, clean out to TD, log and perforate intervals and run new tubulars to configure for salt water disposal.

1. **Geologic Information** - (Roy E. Johnson, Consulting Geologist) - The Bone Spring Formation is the slope to basin equivalent of the Abo-Yeso shelf sediments of the Northern Delaware Basin. These were deposited as allochthonous debris sediments along the shelf and basin slope by slumping, debris flows, surge channel deposits, and turbidity currents. Geologists have divided this formation into three separate carbonate units, 1st, 2nd, and 3rd Bone Spring carbonates. The units are separated by clastic and detrital carbonate material and in certain areas where these detrital zones have been dolomitized excellent secondary porosity can be expected.

The Wolfcamp is a light gray-brown fine to medium crystalline fossiliferous limestone with inter-crystalline vugular porosity interbedded with gray shale. Additional porosity can be found when the well bore encounters detrital carbonates which were shed off shelf and foreslope areas and transported down the Wolfcamp paleoslope. This may explain the best porosity in the proposed injection interval located from 8290' to 8295'.

The Cisco Formation (Upper Penn) similar to the Wolfcamp is a gray micritic (fine grained) fossiliferous limestone with vugular porosity. The reservoirs in this area are usually limited in size with up dip porosity loss due to shelf margin carbonate build up.

In conclusion, the proposed injection intervals for this disposal well may have limited capacity in the Wolfcamp and Cisco Formations due to the nature of the reservoir. This is substantiated by the cumulative production history of these formations with the Wolfcamp making 29 barrels of oil and 714 Mcf, and the Cisco making 8471 barrels of oil with 496 MMcfg. The Bone Spring Formation has a relatively low porosity but there is several thousand feet of formation that can be exploited for this purpose.

Formation Tops:

Salado	662
Yates	790
Seven River	1110
Queen	1780
San Andres	2570
Bone Spring	5340
Wolfcamp	7696
Cisco (Bough C)	8655
Strawn	9448
Atoka	10088
Mississippian	10762

2. **Completion Procedure**

a. MIRU pulling unit, reverse unit and associated equipment. Install BOP. RIH with bit and collars to drillout plugs.

b. As the 5-1/2" casing was shot and pulled during plugging, Ray Westall Operating, Inc will run new 5-1/2" casing and attach to the stub @ 3122' with an overshot seal and casing patch.

c. This new casing will be cement circulated to surface. 560 sx + excess to circulate.

d. Westall will likely perforate and test the Seven Rivers for injectivity on the way into and as part of this workover. Upon completion of the test, any perforations will be cement squeezed and drillout operations will resume subsequent to WOC. (This operation will be reported on intent and subsequent sundries if it is confirmed to be performed.)

e. Continue to drill cement plugs and CIBP currently set at ~9000'. Circulate hole clean. Set CIBP @ 9200' (or @ 9850' if is determined to utilize lower Penn and Strawn porosity) and cap with 35' cement.

f. The existing TOC on the 5-1/2" is at 6610' by temperature survey. The free pipe interval will be shot and squeezed to effectively tie a continuous cement sheath from that depth to the newly cemented 5-1/2" @ 3122'.

g. Selectively perforate the Bone Spring, Wolfcamp, Cisco and/or Strawn formations between 7696' and 9448' - exact depths to be determined. (Exact depths will be specified on NOI sundry prior to completion operation.)

3. **Tubular program** - The well casing is set except as described above. (See attached Proposed Well Schematic) 2-3/8" or 2-7/8" internally coated tubing will be run and set in a packer located at approximately 6660' (within 100' of the uppermost injection perforations).

Well Re-entry Program (cont.)

4. **Cementing Program** - Existing casing strings were all circulated to surface during the original well drilling and completion operations as follows:

Surface	13.375"	54.5#	17.5" hole	459'	425 sx	Circ to Surf
Intermediate	3.625"	32.0#	11.0" hole	3084'	1015 sx	Circ to Surf
Production	5.5"	17.0/20.0#	7.875" hole	10076'	875 sx + ~560	Circ to Surf
Set CIBP	5.5"	Sized to Casing		9200' or 9850'	Cap w/ 35' cement	

5. **Pressure Control** - BOP diagram is attached to this application. All BOP and related equipment shall comply with well control requirements as described NMOCD rules and regulations. Minimum working pressure of the BOP and related equipment required for the drillout shall be 3000 psi. OCD will be notified a minimum of 4 hours prior to BOP pressure tests. The test shall be performed by an independent service company utilizing a test plug (no cup or J-packer). The results of the test shall be recorded on a calibrated test chart submitted to the OCD Artesia distric office.

6. **Mud Circulation System** - the plugs will be drilled with 8.4 lb/gal fresh water looped through the reverse unit with all cutting recovered for disposal. Returns shall be visually monitored.

7. **Auxiliary Well Control and Monitoring** - Not Applicable

8. **H_2S Safety** - There is a low risk of H2S in this area. The operator will comply with the provisions of Onshore Oil and Gas Order #6. All personnel will wear monitoring devices and a wind direction sock will be placed on location.

9. **Logging, Coring and Testing** - Ray Westall Operating is not anticipating running additional logs. No corings or drill tests will be conducted. (The well may potentially be step rate tested in the future if additional injection pressures are required.)

10. **Potential Hazards** - No abnormal pressures or temperatures are expected.

Well Re-entry Program (cont.)

No loss of circulation is expected to occur. All personnel will be familiar with the safe operation of the equipment being used to drillout and reenter this well.

The maximum anticipated bottom hole pressure is 4200 psi and the maximum anticipated bottom hole temperature is 120 F.

11. **Waste Management** - All drill cuttings and other wastes associated with the re-entry and drill out operations will be transported to a commercial surface waste disposal facility permitted by the Environmental Bureau of the New Mexico Oil Conservation Division.

12. **Anticipated Start Date** - Upon approval of all permits for SWD, operations would begin within 30 days. Completion of the well operations will take two to three weeks. Installation of the tank battery, berms, plumbing and other and associated equipment would be occurring during the same interval. In any event, it is not expected for the construction phase of the project to last more than 60 days, depending on availability of contractors and equipment. At the time of this submittal, the anticipated start date is:

July 15, 2013.

13. **Configure for Salt Water Disposal** - Prior to commencing any work, an NOI sundry(ies) will be submitted to configure the well for SWD and will detail the following tasks: drillout and workover including all work otherwise described above, any change to the procedure noted herein and to perform mechanical integrity pressure test per OCD test procedures. (Notify NMOCD 24 hours prior.) The casing/tubing annulus will be monitored for communication with injection fluid or loss of casing integrity. Anticipated daily volume is ~1000 bpd at a maximum surface injection pressure of 1352 psi.

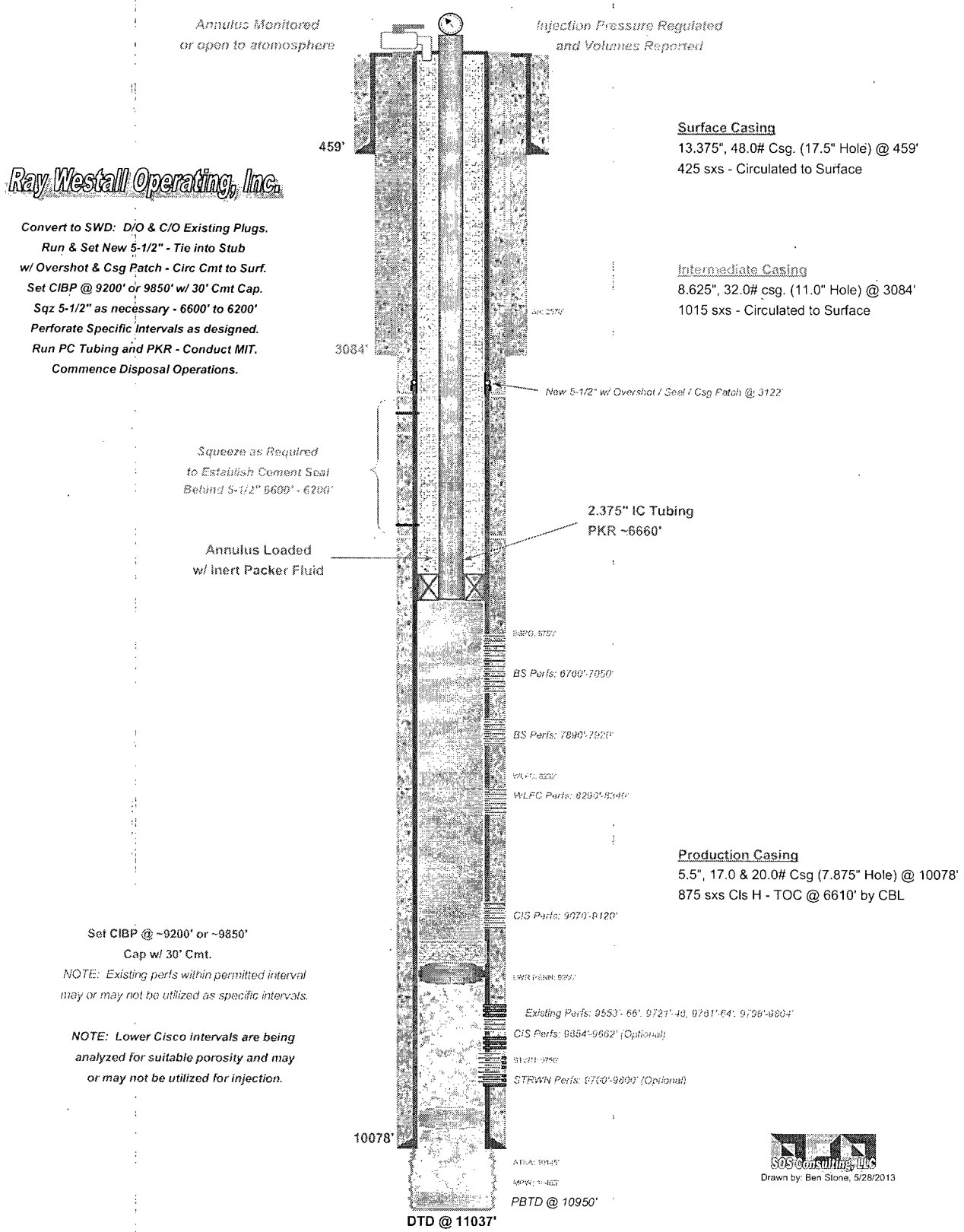
WELL SCHEMATIC - PROPOSED
State B-14 Well No.1 SWD

API 30-015-23350

660' FSL & 990' FEL, SEC. 14-T18S-R28E

EDDY COUNTY, NEW MEXICO

Spud Date: 6/27/1980

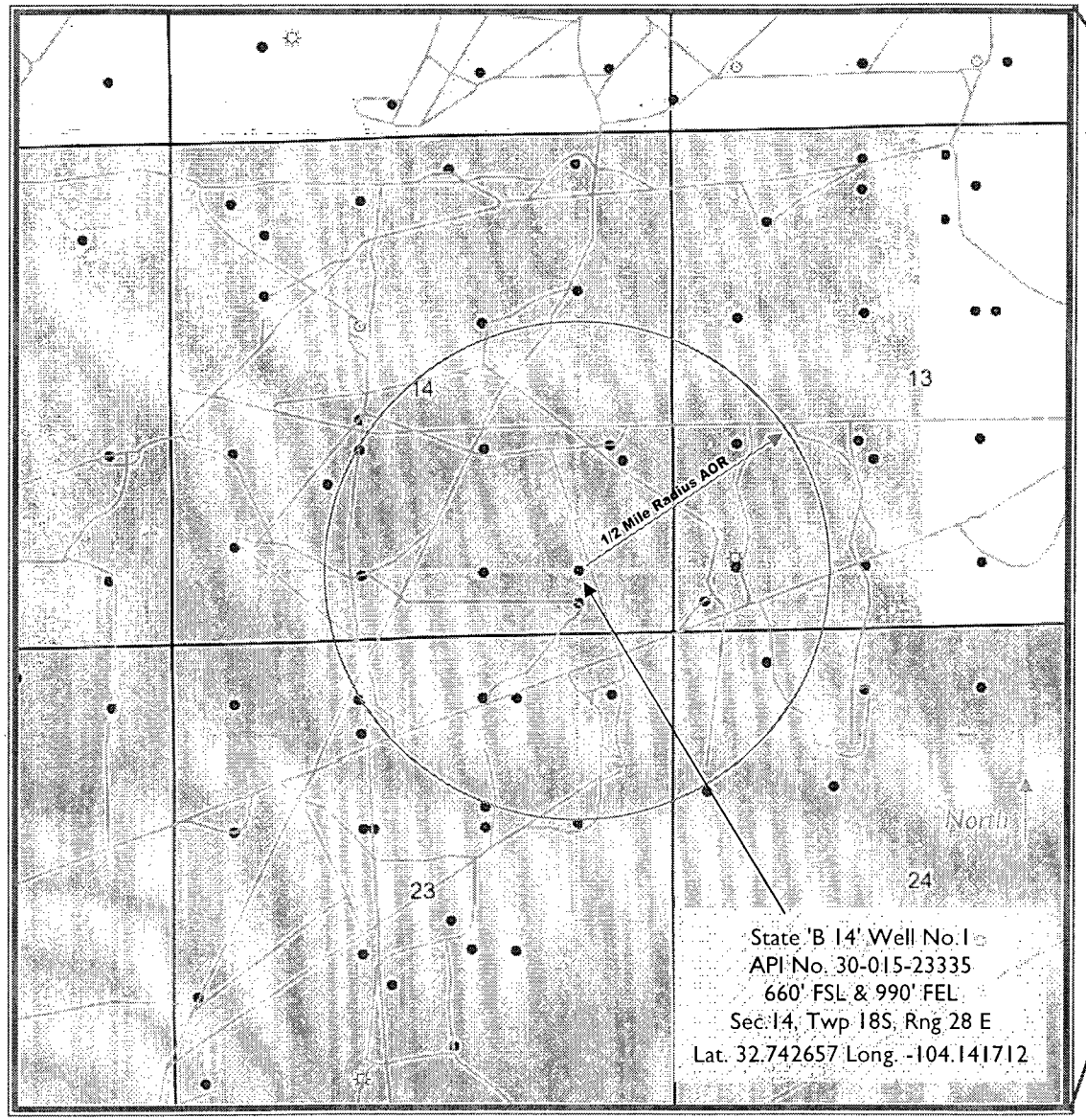


SOS Consulting, LLC

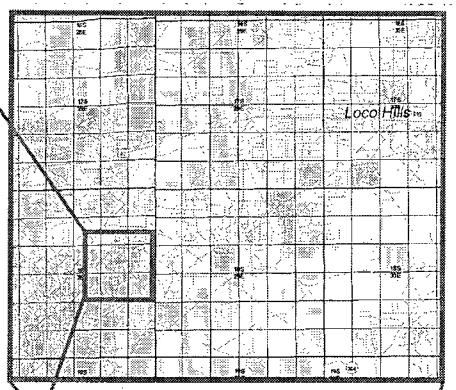
Drawn by: Ben Slone, 5/28/2013

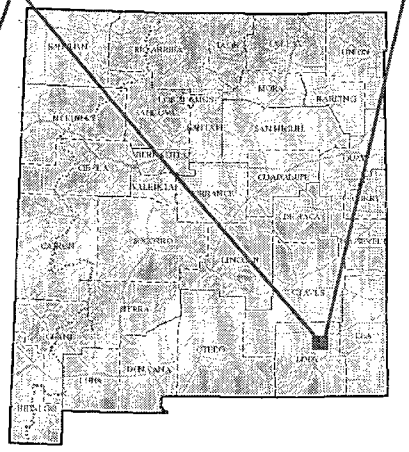
State 'B 14' Well No.1 - Area of Review / Overview Map

(Attachment to NMOCD Form C-108 - Item V)



~10.0 miles Southwest of
Loco Hills, NM





Eddy County, New Mexico

Ray Westall Operating, Inc.

SOS Consulting, LLC

Standard Operating Procedure & Site Setup - Re-entry

ALL OPERATIONS CONDUCTED WITHIN EXISTING PAD SITE
NOT EXCEEDING SURVEYED SITE. ORIENTATION PER BEST FIT.

1. Set up H2S wind direction indicators; brief all personnel on Emergency Evacuation Routes.

2. All contractors conduct safety meeting prior to current task.

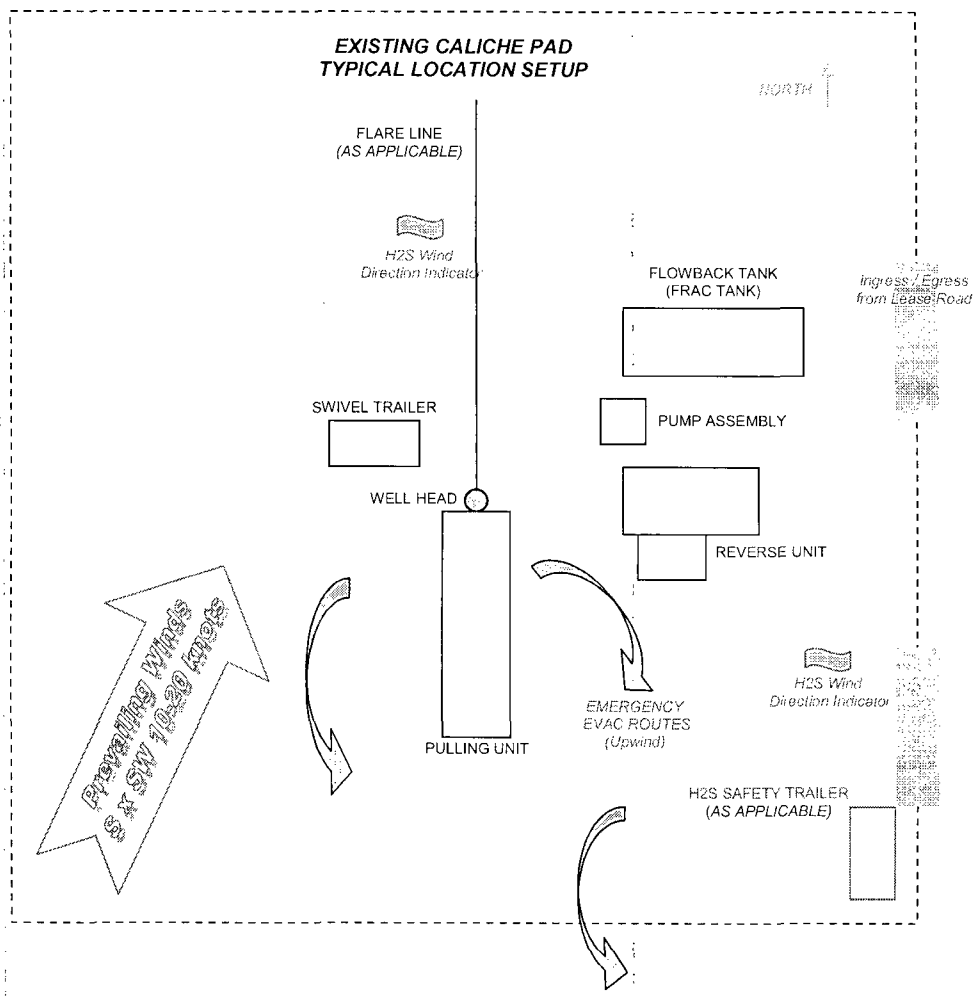
3. If H2S levels >10ppm detected, implement H2S Plan *accordingly*. (E.g., cease operations, shut in well, employ H2S safety trailer & personnel safety devices, install flare line, etc. - Refer to Plan.)

4. All equipment inspected daily. Repair / replace as required.

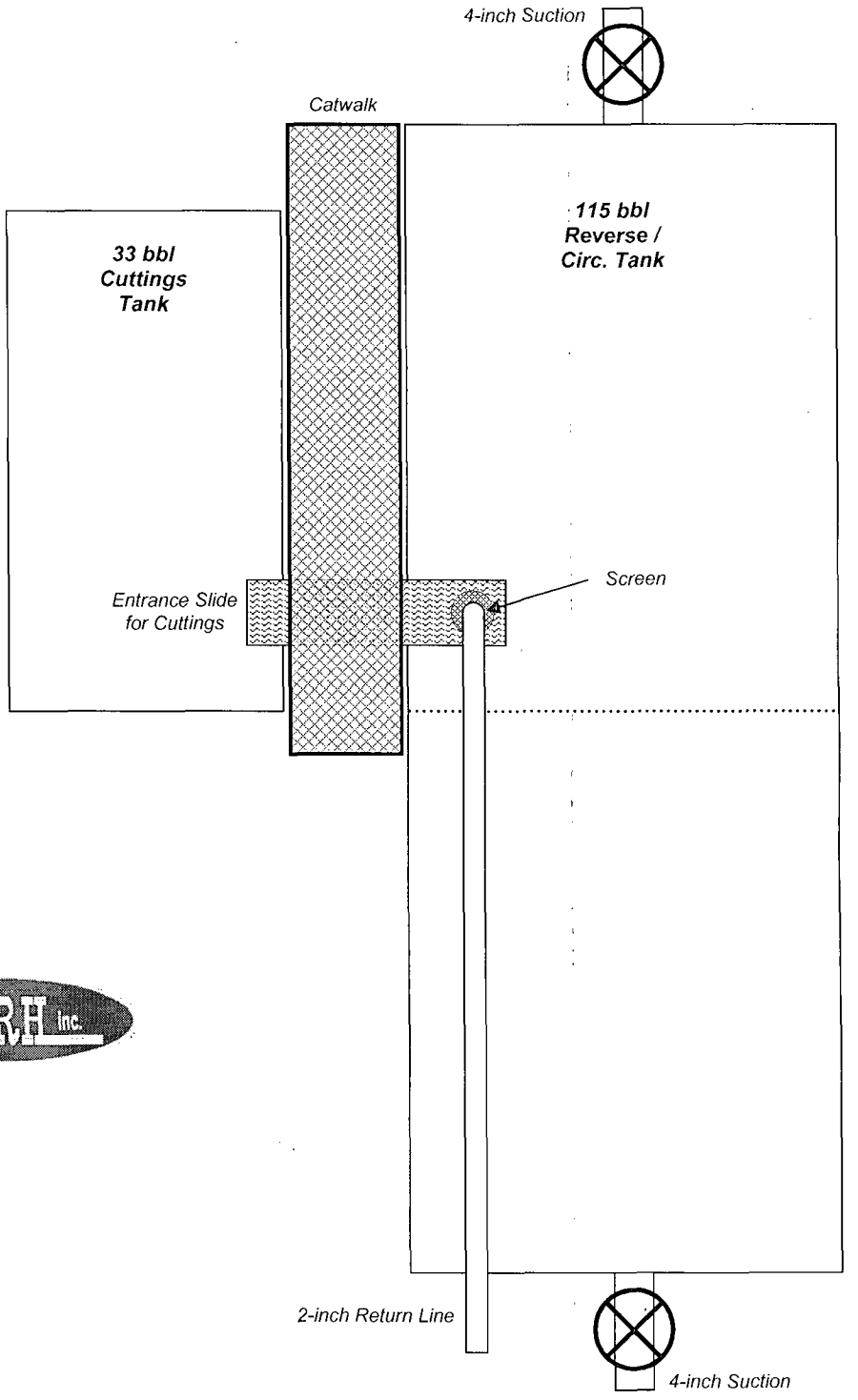
5. Visual on returns; cuttings & waste hauled to specified facility. CRI - LEA COUNTY

6. Spills contained & cleaned up immediately. Repair or otherwise correct the situation within 48 hours before resuming operations. Notify OCD and BLM within 24 hours. Remediation started ASAP if required. Operator shall comply with 19.15.29 NMAC and 19.15.30 NMAC, as appropriate.

7. Subsequent sundry / forms filed as needed - well returned to service.



Reverse / Circulation Tank for Workovers & Drillouts



Standard Operating Procedure - Re-entry
Closed-Loop Reverse Unit Diagram

1. Blow Out Preventer tested prior to any operations. Notify BLM at least 4 hours prior.

2. Visual monitoring maintained on returns. Proceed with drillout operations accordingly.

3. Cuttings / waste hauled to specified facility. CRI - LEA COUNTY

4. Spills contained & cleaned up immediately. Repair or otherwise correct the situation within 48 hours before resuming operations. Notify OCD and BLM within 24 hours. Remediation started ASAP if required. Operator shall comply with 19.15.29 NMAC and 19.15.30 NMAC, as appropriate.

5. Subsequent sundry / forms filed as needed - well returned to service.