| DATE IN | SUSPENSE | ENGINEER | LOGGED IN | TYPE | APP NO. |
|---|---|---|---|---|---|
| 2/07/2014 | | | 2/10/2014 | SWD | PMAM1404158557 |

ABOVE THIS LINE FOR DIVISION USE ONLY -1484

**NEW MEXICO OIL CONSERVATION DIVISION**
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505

# ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

SWD
KC Resources
Lea YH State #4
30-025-26687

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☒ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

| John C Maxey | | Consulting Pet Engr | Feb 4, 2014 |
|---|---|---|---|
| Print or Type Name | Signature | Title | Date |

jcm@maxeyengineering.com
e-mail Address

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

**Oil Conservation Division**
**1220 South St. Francis Dr.**
**Santa Fe, New Mexico 87505**

FORM C-108
Revised June 10, 2003

## APPLICATION FOR AUTHORIZATION TO INJECT

I. PURPOSE: _____Secondary Recovery _____Pressure Maintenance ___X___Disposal _____Storage
Application qualifies for administrative approval? ___X___Yes _____No

II. OPERATOR: KC Resources

ADDRESS: P. O. Box 6749, Snowmass Village, CO 81615

CONTACT PARTY: Maxey Engineering, Attn: John; PO Box 1361, Roswell, NM 88202 PHONE: 575-623-0438

III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project? _____Yes _____No
If yes, give the Division order number authorizing the project: _____

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.

VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.

VII. Attach data on the proposed operation, including:

1. Proposed average and maximum daily rate and volume of fluids to be injected;
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).

*VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.

IX. Describe the proposed stimulation program, if any.

*X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).

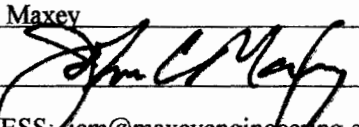
*XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.

XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.

XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.

XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: John C. Maxey TITLE: Consulting Petroleum Engineer

SIGNATURE:  DATE: February 4, 2014

E-MAIL ADDRESS: jcm@maxeyengineering.com

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District Office

Side 2

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

(1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.

(2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.

(3) A description of the tubing to be used including its size, lining material, and setting depth.

(4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

(1) The name of the injection formation and, if applicable, the field or pool name.

(2) The injection interval and whether it is perforated or open-hole.

(3) State if the well was drilled for injection or, if not, the original purpose of the well.

(4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.

(5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

(1) The name, address, phone number, and contact party for the applicant;

(2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;

(3) The formation name and depth with expected maximum injection rates and pressures; and,

(4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

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NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

KC Resources
Application for Authorization to Inject
Lea YH State #4
1980' FSL & 990' FEL
Sec 25 18S 34E
Lea Co., NM

Attached and made a part of Form C-108

Item III. Disposal well data attached.

Item V. Map attached.

Item VI. Tabulation and schematics of offset well data attached.

Item VII. 1. The proposed average and maximum daily rate of disposal is 200 BWPD and 400 BWPD, respectively.

2. The system will be open.

3. The average surface injection pressure proposed is 700 psi with a maximum of 1,360 psi.

4. No samples of the SWD Delaware interval water are available in the area, however a Roswell Geological Society field study of the Lusk Field Delaware(19S 32E) reports Chlorides of 130,000 to 170,000 ppm with an Rw of 0.055 @ 94°F. Also attached is a water analysis from the Lea Delaware field. The analysis is of produced water in section 3 20S 34E. The source water is produced Bone Spring and Wolfcamp water and a water analysis of each is attached. The Bone Spring and the Wolfcamp have previously been commingled downhole in the field by various operators, and compatibility testing has shown there are no compatibility issues with the two produced waters. No water compatibility issues are anticipated when disposed of into the Delaware based upon experience with these two waters, however the Delaware water can be sampled and tested for compatibility upon completion of the disposal interval.

5. As stated above, there is no Delaware production in the area. Lusk and Lea Field Delaware water is reported on above.

Item VIII. Formation Tops:

| Formation | Tops (BGL) | Description |
|---|---|---|
| Aquifers | 0 to 200' fresh water | Tertiary aged aquifers to 200', Possible low yield, high sulfate water in Triasic/Permian Red Beds from 200' to top of Anhydrite. |
| Anhydrite | 1920 | |
| Salt | 2336 | |
| Yates | 3433 | |
| 7 Rivers | 3757 | |
| Delaware Sand | 6280 | Fine grained sandstone with thin layers of black shale and argillaceous limestone. |
| Bone Spring | 7715 | |

Item IX. The stimulation program will consist of a break down ball diverter acid job possibly followed by a larger acid job. If necessary a cross linked gel sand frac will be utilized with approximately 150,000 lbs of 16/30 sand or equivalent.

Item X. Logs previously submitted.

Item XI. Per the State Engineer WATERS database there is one fresh water well located within 1 mile of the proposed SWD well. The fresh water well is located in the NENESW of section 25 18S 34E. When located by field personnel it was found to be shut in and out of service. A water sample could not be taken.

Item XII. I have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.

Item XIII. The surface landowner and offset leasehold operators/owners have been furnished a copy of this application and proof of notice (certified or registered mail receipts) are attached to this application. Also, a proof of publication in the Hobbs Daily News-Sun has also been attached to this application.

# Exhibit IIIB
# Lea YH State #4
# 1980' FSL & 990' FEL
# Sec 25 18S 34E
# Lea Co., NM

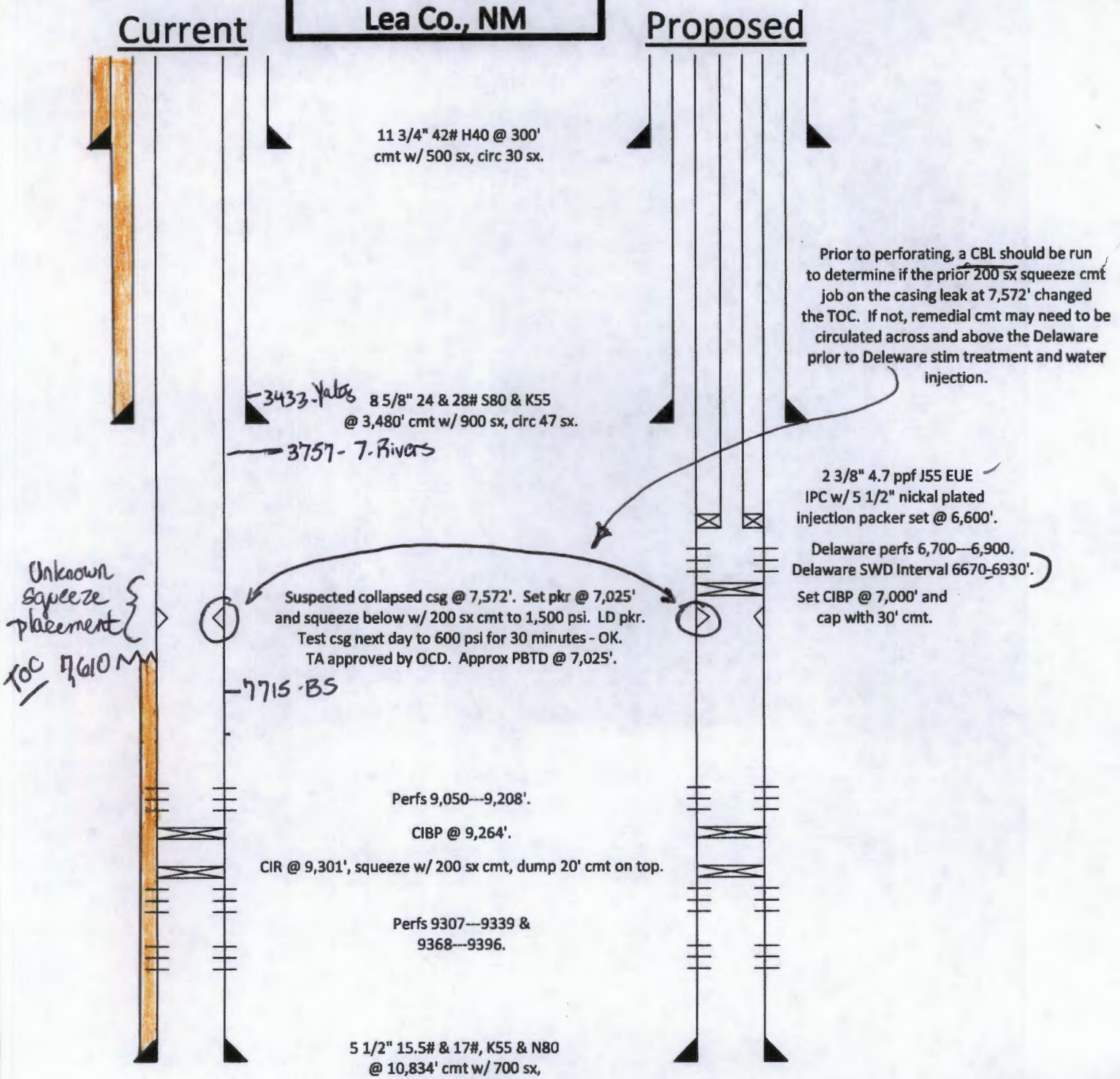


**EXHIBIT IIIA**

**INJECTION WELL DATA SHEET**

OPERATOR: KC Resources

WELL NAME & NUMBER: Lea YH State #4

| WELL LOCATION: | 1980' FSL & 990' FEL | I | 25 | 18S | 34E |
|---|---|---|---|---|---|
| | FOOTAGE LOCATION | UNIT LETTER | SECTION | TOWNSHIP | RANGE |

Tubing Size: 2 3/8" Lining Material: Internally Plastic Coated

Type of Packer: Nickel Plated Double Set Packer – Baker Lok Set or equivalent

Packer Setting Depth: 6,600 feet

Other Type of Tubing/Casing Seal (if applicable): N/A

Additional Data

1. Is this a new well drilled for injection? No

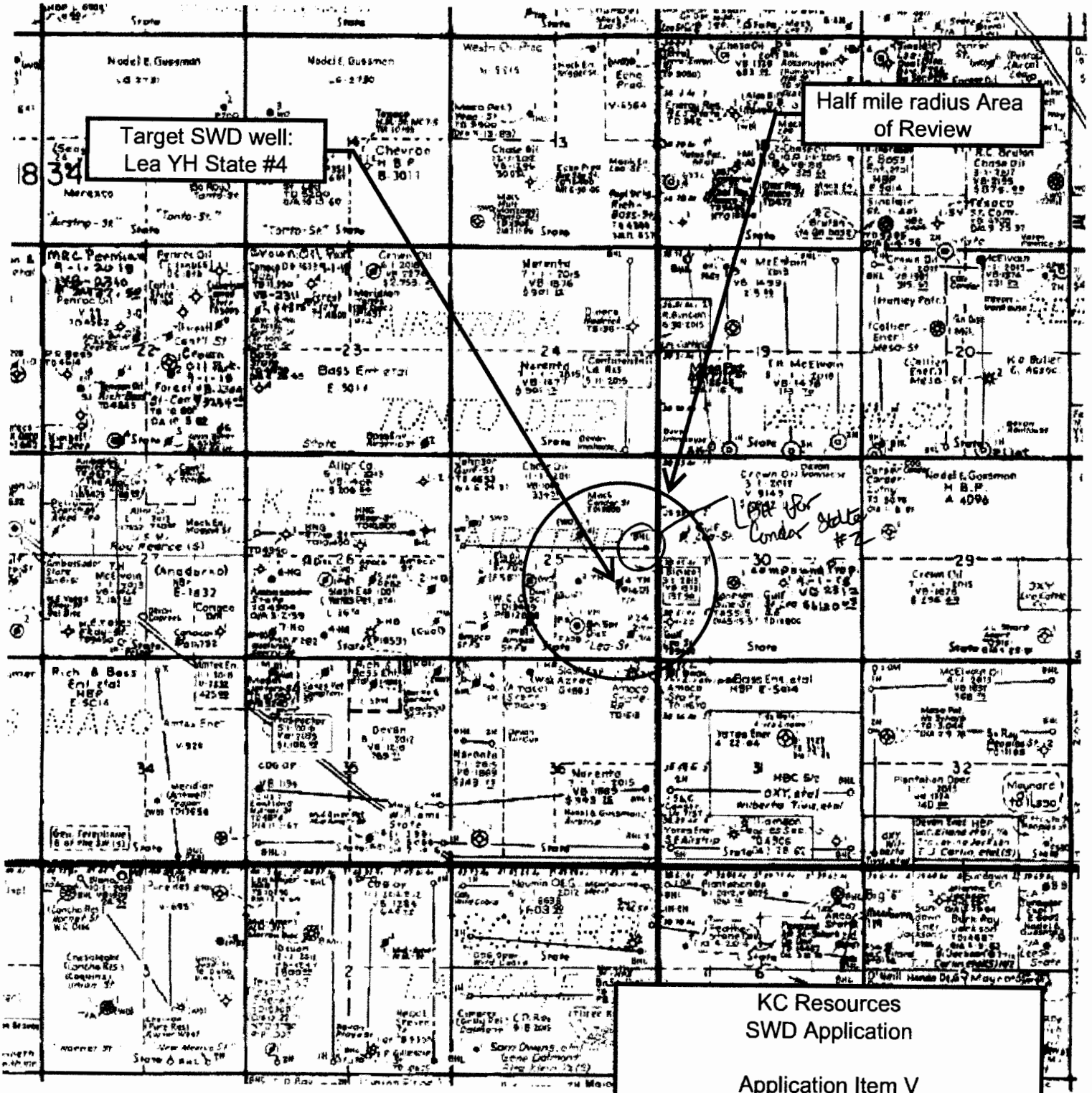
   If no, for what purpose was the well originally drilled? A Bone Spring oil producer.

2. Name of the Injection Formation: Delaware, interval top and bottom 6670 – 6930'.

3. Name of Field or Pool (if applicable): N/A

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. Originally completed in the Bone Spring, see attached schematic Exhibit IIIB.

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: The Bone Spring and Wolfcamp formations which are below the PBTD of the application well.


Target SWD well:
Lea YH State #4
Half mile radius Area
of Review
KC Resources
SWD Application
Application Item V
Lea YH State #4
1980' FSL & 990' FEL
Sec 25 18S 34E
Lea Co., NM

# KC Resouces SWD Application

## Wells Within 0.5 Miles of Proposed SWD Well

| | LEASE_NAME | WELL# | LOCATION | COUNTY | STATE | API | LATITUDE_S | LONGITUDE_S | |
|---|---|---|---|---|---|---|---|---|---|
| (1) | CONDOR STATE P&A | 001 | 18S34E25G | LEA | NM | 3002526695 | 32.720649 | -103.511843 | ok |
| (2) | LEA 30 STATE P&A | 001 | 18S35E302 | LEA | NM | 3002526238 | 32.720650 | -103.503219 | ok |
| (3) | LEA YH STATE Active/TA | 001 | 18S34E25O | LEA | NM | 3002526104 | 32.713670 | -103.511830 | – open cmt |
| (4) | LEA YH STATE Active/TA | 002 | 18S34E25P | LEA | NM | 3002526299 | 32.713411 | -103.507517 | – open cmt |
| (5) | LEA YH STATE Active/TA | 003 | 18S34E25J | LEA | NM | 3002526562 | 32.717023 | -103.511838 | – open cmt |
| (6) | LEA ZD STATE P&A | 001 | 18S35E304 | LEA | NM | 3002527392 | 32.714303 | -103.504285 | ok |
| (7) | STATE FU P&A | 001 | 18S34E25K | LEA | NM | 3002524924 | 32.717008 | -103.516019 | ok |
| (8) | STATE FU P&A | 002 | 18S34E25N | LEA | NM | 3002526410 | 32.714204 | -103.516014 | ok |
| | ~~STATE HR~~ | 002 | 18S34E36A | LEA | NM | **Not Deep Enough** | | | |
| (9) | STATE HR P&A | 002Y | 18S34E36A | LEA | NM | 3002526817 | 32.710552 | -103.507510 | ok |

9 total

6 - P&A
3 - active/TA - all require corrective action

# ***Data Sheet for Well Within Area of Review***

KC Resources Administrative SWD Application

December 9, 2013

Operator: Mack Energy Corporation

Well Name: Condor State #1

Location: Sec 25 18S 34E Unit G, 1980' FNL & 1980' FEL

Elevation (ft): 3965 GL TD (ft): 10,800 PBTD (ft): 10,443 Initial Comp Date: 8/1984

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 17 1/2 | 13 3/8 | 48 | N/A | 300 | 350 | Circ |
| 12 1/4 | 9 5/8 | 40 | N/A | 4005 | 1555 | Circ |
| 8 3/4 | 5 ½ | 15.5, 17, 20 | N/A | 10,800 | 2250 | 2465 by TS |

10,800 to 2465 Cmt

## Producing Interval and Details

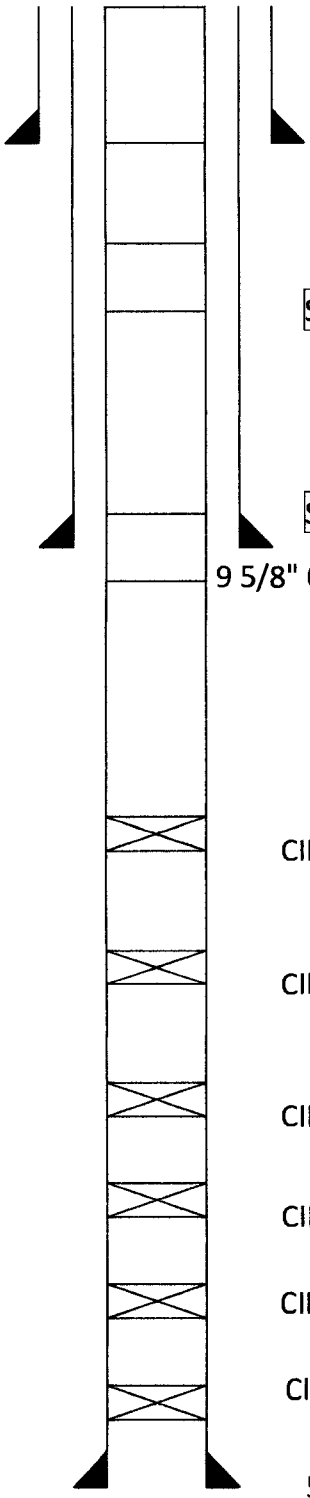
Well P&A, see attached schematic.

## Comments

Well originally drilled as Amoco #4 State FU and completed in the Bone Spring. Well was P&A in 5/1986. The well was then reentered by Mack Energy for additional testing. The reentry was unsuccessful and the well was again P&A.

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# Condor State #1
# P&A Details
# Sec 25 18S 34E Unit G
# 1980' FNL & 1980' FEL



Set 35 sx plug 350 to surf

13 3/8" Csg @ 300' cmt to surf. Upon P&A, perf @ 350', circ down 5 1/2" casing and cmt w/120 sx up 5 1/2" x 13 3/8" annulus

Set 25 sx plug 2015-1765

Set 25 sx plug 4100-3900

9 5/8" Csg @ 4005' cmt to surf

CIBP @ 5575' w/ 35' cmt cap ✓

Perfs 5672 --- 5678

CIBP @ 5945' w/ 35' cmt cap ✓

Perfs 6045 --- 6096 | Injection interval

CIBP @ 7880' w/ 35' cmt cap ✓

Perfs 7981 --- 8237

CIBP @ 8610' w/ 35' cmt cap

Perfs 8710 --- 8745

CIBP @ 9100' w/ 35' cmt cap

Perfs 9186 ---9385

CIBP @ 10,483' w/ 35' cmt cap

Perfs 10,516 --- 10,588

5 1/2" Csg @ 10,800', original TOC 2465' by TS ✓

# ***Data Sheet for Well Within Area of Review***

KC Resources Administrative SWD Application

December 9, 2013

Operator: Gulf Oil Corporation

Well Name: Lea 30 State #1

Location: Sec 30 18S 35E Unit E, 1980' FNL & 660' FWL

Elevation (ft): 3946 GL  TD (ft): 10,800  PBTD (ft): 10,516  Initial Comp Date: 3/1979

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 15 | 11 3/4 | 42 | H40 | 300 | 450 | Circ |
| 11 | 8 5/8 | 24 | S80 | 3980 | 1100 | Circ |
| 7 7/8 | 5 ½ | 15.5, 17 | N80, K55 | 10,800 | 800 | 7400 by C103 |

## Producing Interval and Details

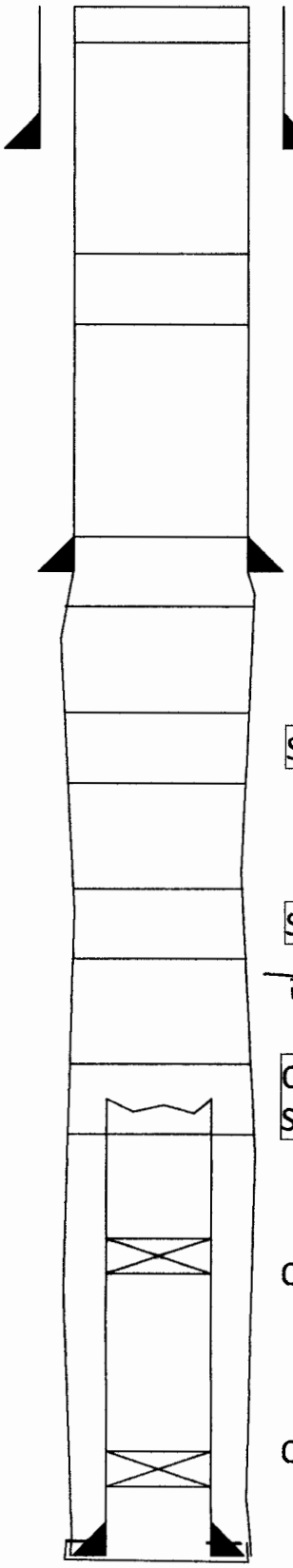
Casing cut intervals plugged off

Well P&A, see attached schematic.

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# Lea 30 State #1
# P&A Details
# Sec 30 18S 35E Unit E
# 1980' FNL & 660' FWL



Set 10 sx surf plug

11 3/4" Csg @ 300' cmt to surf.

Set 40 sx plug 1964 - 1864

Set 40 sx plug 4050 - 3925

8 5/8" Csg @ 3980' cmt to surf

Spot 40 sx cmt plug 5155 - 5055

Spot 40 sx cmt plug 5930 - 5830

Delaware | 5735 - BP Del Sand | Injection Interval

Cut and pull 5 1/2" csg from 7275'.
Spot 40 sx cmt plug 7325 - 7225

CIBP @ 8765' w/ 35' cmt cap

Perfs 8780 --- 8862

Perfs 10,176 --- 10,202

CIBP @ 10,360' w/ 35' cmt cap

Perfs 10,479 --- 10,504

5 1/2" csg @ 10,600', original TOC 7400' per C103

# ***Data Sheet for Well Within Area of Review***

KC Resources Administrative SWD Application

December 9, 2013

Operator: Gulf Oil Corporation

Well Name: Lea ZD State #1

Location: Sec 30 18S 35E Unit M, 990' FSL & 330' FWL

Elevation (ft): 3954 GL  TD (ft): 9450  PBTD (ft): 9408  Initial Comp Date: 5/1981

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 14 3/4 | 11 3/4 | 42 | H40 | 300 | 350 | Circ |
| 11 | 8 5/8 | 28, 24 | S80, K55 | 3475 | 950 | Circ |
| 7 7/8 | 5 ½ | 17, 15.5 | N/A | 9450 | 250 | 8000 by TS |

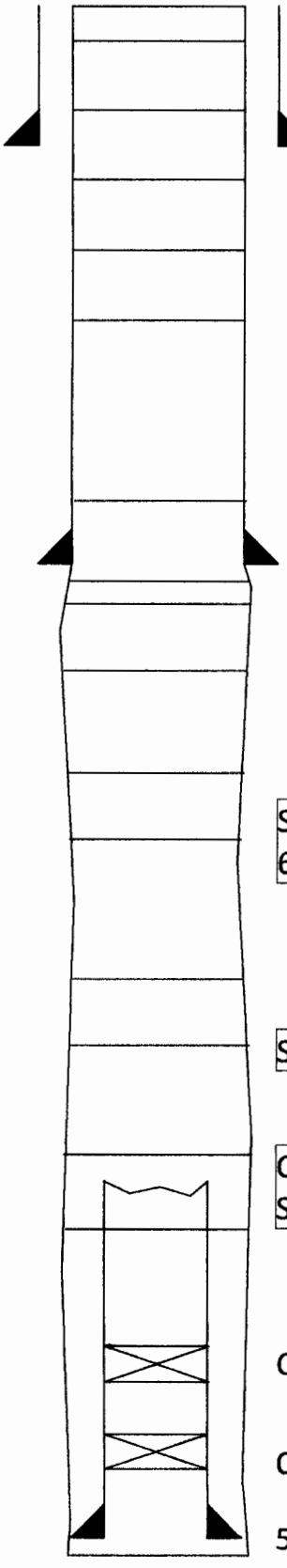
## Producing Interval and Details

Well P&A, see attached schematic.

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# Lea ZD State #1
# P&A Details
# Sec 30 18S 35E Unit M
# 990' FSL & 330' FWL



Set 15 sx surf plug from 50' to surf.

11 3/4" Csg @ 300' cmt to surf.

Spot 100' plug w/ 40 sx from 350-250

Spot 100' plug w/ 40 sx from 1800-1700

Set 330' plug @ 3580-3250 w/ 225 sx cmt to cover 8 5/8" shoe.

8 5/8" Csg @ 3475' cmt to surf

Set 100' plug @ 4360-4260 w/ 70 sx cmt.

Spot 100' plug at 6360-6350 w/ 60 sx cmt.

Injection Interval

Spot 115 sx at 7708, tag at 7451.

Cut and pull 5 1/2" casing from 8000'. Spot 35 sx cmt at stub.

CIBP @ 8900 w/ 35' cmt cap

Perfs 8928 --- 9193

CIBP @ 9250'

Perfs 9276 --- 9369

5 1/2" Csg @ 9450, TOC 8000 per C105

# ***Data Sheet for Well Within Area of Review***

KC Resources Administrative SWD Application

December 9, 2013

Operator: Amoco Production Company

Well Name: State FU #1

Location: Sec 25 18S 34E Unit K, 1980' FSL & 1980' FWL

Elevation (ft): 3966 GL  TD (ft): 13,489  PBTD (ft): 12,088  Initial Comp Date: 4/1975

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 17 1/2 | 13 3/8 | 48 | H40 | 413 | 475 | Circ |
| 12 1/4 | 9 5/8 | 32, 36 | H40, K55 | 4697 | 3390 | Circ |
| 8 3/4 | 7 5/8 | 26.4, 29.7 | N80, E95 | 12,140 | 770 | 4800 per C103 |

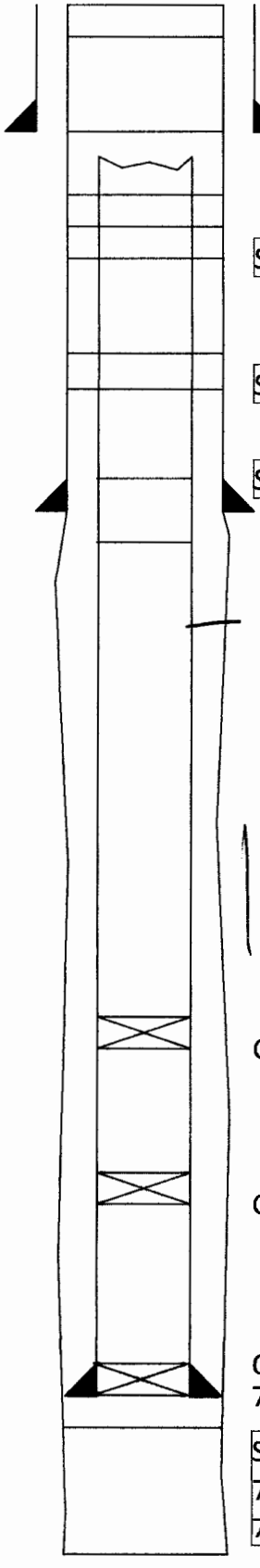
## Producing Interval and Details

Well P&A, see attached schematic.

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# State FU #1
# P&A Details
# Sec 25 18S 34E Unit K
# 1980' FSL & 1980' FWL



Set 10 sx surface plug.

13 3/8" Csg @ 413' cmt to surf.

Cut and pull 7 5/8" from 785,
set 45 sx plug from 831-644.

Spot 50 sx cmt plug @ 2051 to 1835

Spot 50 sx cmt plug @ 3047 to 2787

Spot 50 sx cmt plug @ 4806 to 4622

9 5/8" Csg @ 4697' cmt to surf

Injection interval soaked

CIBP @ 8200' w/ 10 sx cap

Perfs 8317 - 8346

Perfs 9182 --- 9370

CIBP @ 10,100' w/ 10 sx cap

Perfs 10533 --- 10656
and 11,082 - 11,116

CIBP @ 12,108' w/ 20' cmt cap
7 5/8" csg @ 12,140', TOC 4800 per C103

Cole

Spot plugs as follows:
75 sx @ 13,020 to cover Morrow
75 sx @ 12,440 to cover Atoka

# ***Data Sheet for Well Within Area of Review***

KC Resources Administrative SWD Application

December 9, 2013

Operator: Amoco Production Company

Well Name: State FU #2

Location: Sec 25 18S 34E Unit N, 960' FSL & 1980' FWL

Elevation (ft): 3968 GL TD (ft): 10,800 PBTD (ft): 10,754 Initial Comp Date: 9/1979

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 17 1/2 | 13 3/8 | 48 | N/A | 300 | 300 | Circ |
| 12 1/4 | 9 5/8 | 40 | N/A | 3999 | 1590 | Circ |
| 8 3/4 | 5 1/2 | 17, 20, 23 | N/A | 10,800 | 1970 | 905 by TS |

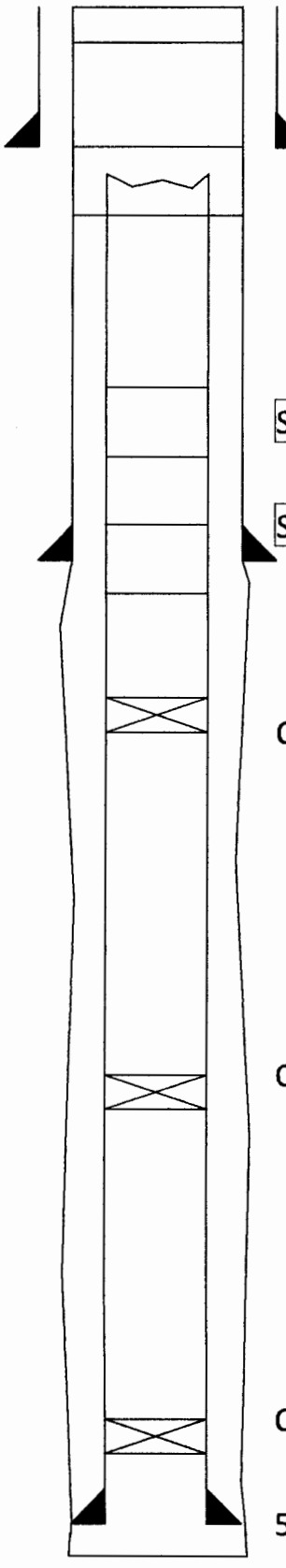
## Producing Interval and Details

Well P&A, see attached schematic.

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# State FU #2
# P&A Details
# Sec 25 18S 34E Unit N
# 960' FSL & 1980' FWL



Set 10 sx surface plug.

13 3/8" Csg @ 300' cmt to surf.

Cut and pull 5 1/2" from 912, set 35 sx plug from 962 - 837.

Spot 25 sx cmt plug @ 2000 - 1800

Spot 25 sx cmt plug @ 3999 - 3799

9 5/8" Csg @ 3999' cmt to surf

CIBP @ 5750' w/ 25 sx on top

Perfs 5786 --- 5850 → Delaware perfs - isolated by CIBPs

CIBP @ 8310' w/ 35' cap

Perfs 8334 --- 10,272 BS

CIBP @ 10,575 capped w/ 35' cmt

Perfs 10,602-10,646

5 1/2" csg @ 10,800 w/ TOC @ 905 by TS

# ***Data Sheet for Well Within Area of Review***

KC Resources Administrative SWD Application

December 9, 2013

Operator: Amoco Production Company

Well Name: State HR 2Y

Location: Sec 36 18S 34E Unit A, 380' FNL & 660' FEL

Elevation (ft): 3955 GL  TD (ft): 11,760  PBTD (ft): 9900  Initial Comp Date: 6/1981

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 17 1/2 | 13 3/8 | 48 | N/A | 300 | 400 | Circ |
| 12 1/4 | 9 5/8 | 36 | N/A | 4000 | 1750 | Circ |
| 8 3/4 | 5 ½ | 17 | N/A | 11,670 | 1300 | 1825 by TS |

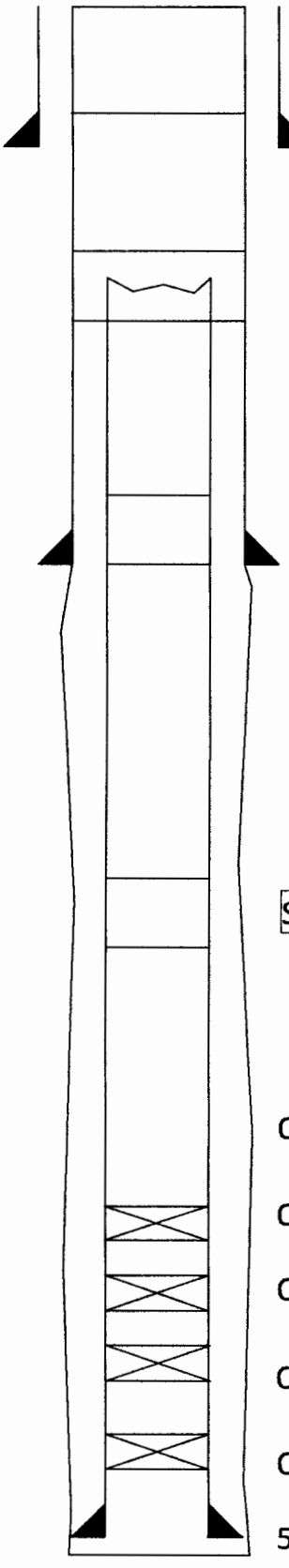
## Producing Interval and Details

Well P&A, see attached schematic.

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# State HR 2Y
# P&A Details
# Sec 36 18S 34E Unit A
# 380' FNL & 660' FEL



Set 115 sx plug from 352' and circ to surf.

13 3/8" Csg @ 400' cmt to surf.

Cut and pull 5 1/2" from 1874.
Set 100 sx plug @ 1928.

Set 25 sx plug @ 4000

9 5/8" Csg @ 4000' cmt to surf

Injection Interval

Spot 25 sx cmt plug @ 7000

CIBP @ 9190' w/ 5 sx cmt cap
Perfs 9295 - 9303
CIBP @ 9900' w/ 35' cmt cap
Perfs 10020 - 10040
CIBP @ 10,150' w/ 35' cmt cap
Perfs 10248 - 10290
CIBP @ 10,550' w/ 35' cmt cap
Perfs 10584 - 10608
CIBP @ 10,750' w/ 35' cmt cap
Perfs 11,294 --- 11,570
5 1/2" Csg @ 11,670', original TOC 1825 by TS ✓

# *Data Sheet for Well Within Area of Review*

KC Resources Administrative SWD Application

December 9, 2013

Operator: KC Resources

Well Name: Lea YH State #1 30-025-26104

Location: Sec 25 18S 34E Unit O 760' FSL & 1980' FEL

Elevation (ft): 3949 GL TD (ft): 10,770 PBTD (ft): 10,740 Initial Comp Date: 3/1979

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 15 | 11 ¾ | 42 | H40 | 288 | 450 | Circ |
| 11 | 8 5/8 | 28 | S80 | 3897 | 1050 | Circ |
| 7 7/8 | 5 ½ | 15.5 & 17 | K55 & N80 | 10,770 | 700 | 7800 by TS |

Remedial Open annulus 3897 to 7800

Delaware 5948'
Bone Spring 7675'

## Producing Interval and Details

Perf Bone Spring 9000---9080, 9199---9392, 9640---10235, perf Wolfcamp 10,601---10,734. Intervals treated individually then downhole commingled per administrative order. RIH w/ production equipment.

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# *Data Sheet for Well Within Area of Review*

KC Resources Administrative SWD Application

December 9, 2013

Operator: KC Resources

Well Name: Lea YH State #2 30-025-26299

Location: Sec 25 18S 34E Unit P, 660' FSL & 660' FEL

Elevation (ft): 3961 GL TD (ft): 10,400 PBTD (ft): 9705 Initial Comp Date: 10/1979

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 14 3/4 | 11 ¾ | 42 | H40 | 300 | 300 | Circ |
| 11 | 8 5/8 | 24 | K55 | 3420 | 850 | Circ |
| 7 7/8 | 5 ½ | 15.5 & 17 | K55 & N80 | 10,400 | 650 | 7410 by TS |

Remedial Action open annulus 8 5/20" to 7410'

~~Yates 2420'~~ 5

~~Delaware 5878'~~ 5948' GA

Bone Spring 7675'

## Producing Interval and Details

Perf Bone Spring 10,196 – 206, set CIBP @ 10,179. Perf Bone Spring 9865 --- 10,118, set CIBP @ 9705. Perf Bone Spring 9162 --- 9350. RIH with production equipment.

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

# *Data Sheet for Well Within Area of Review*

KC Resources Administrative SWD Application

December 9, 2013

Operator: KC Resources

Well Name: Lea YH State #3 30-025-26562

Location: Sec 25 18S 34E Unit J, 1980' FSL & 1980' FEL

Elevation (ft): 3965 GL TD (ft): 10,800 PBTD (ft): 10,760 Initial Comp Date: 1/1980

## Wellbore Construction

| Hole OD (in) | Casing OD (in) | Weight (ppf) | Grade | Depth (ft) | Amt Cmt (sx) | TOC |
|---|---|---|---|---|---|---|
| 15 | 11 ¾ | 42 | H40 | 300 | 250 | Circ |
| 11 | 8 5/8 | 28 | S80 | 3420 | 1100 | Circ |
| 7 7/8 | 5 ½ | 15.5 & 17 | K55 & N80 | 10,800 | 700 | 7150 per C105 |

Remedial Action open annulus 3420' to 7150'

## Producing Interval and Details

Perf Bone Spring 9190 --- 10,215. RIH with production equipment.

Top of Yates 3440'
Pinkard 5819'
Delaware
Bone Spring 7748'

## Comments

**Note:** For P&A wells attach a schematic of wellbore illustrating P&A details.

Support Item VII.

BAKER
Performance Chemicals
WATER ANALYSIS REPORT

Lab ID No. : 022891-54 Analysis Date: February 28, 1991

Company : Read & Stevens
Field :
Lease/Unit : Mark Federal
Well ID. : No. 1 Sec 3 20S 34E
Sample Loc.: Delaware water

Sampled By : Pro-Kem, Inc.
Sample Date: 20-February-1991
Salesperson: Gerald Phillips
Formation :
Location : Lovington, N. M.

| CATIONS | MG/L | MEQ/L | ANIONS | MG/L | MEQ/L |
|---|---|---|---|---|---|
| Calcium as Ca++ | 20,577 | 1,029 | Hydroxyl as OH- | 0 | 0 |
| Magnesium as Mg++ | 5,437 | 446 | Carbonate as CO3= | 0 | 0 |
| Sodium as Na+ (Calc) | 62,354 | 2,711 | Bicarbonate as HCO3- | 210 | 3 |
| Barium as Ba++ | Not Determined | | Sulfate as SO4= | 410 | 9 |
| Oil Content | 0 | | Chloride as Cl- | 147,967 | 4,174 |

Total Dissolved Solids, Calculated: 236,955 mg/L.

Calculated Resistivity: 0.015 ohm-meters
mg/L. Hydrogen Sulfide: Not Present
mg/L. Carbon Dioxide: Not Determined
mg/L. Dissolved Oxygen: Not Determined

pH: 5.360
Specific Gravity 60/60 F.: 1.167
Saturation Index @ 80 F.: -0.263
@ 140 F.: +0.757

Total Hardness: 73,690 mg/L. as CaCO3
Total Iron: 40.00 mg/L. as Fe++

Calcium Sulfate Scaling Potential
Not Present

Estimated Temperature of Calcium Carbonate Instability is
93 F.

PROBABLE MINERAL COMPOSITION

| COMPOUND | MG/L | MEQ |
|---|---|---|
| Ca(HCO3)2 | 279 | 3 |
| CaSO4 | 581 | 8 |
| CaCl2 | 56,437 | 1,016 |
| Mg(HCO3)2 | 0 | 0 |
| MgSO4 | 0 | 0 |
| MgCl2 | 21,222 | 445 |
| NaHCO3 | 0 | 0 |
| Na2SO4 | 0 | 0 |
| NaCl | 158,488 | 2,711 |

Analyst 04:44 PM

Support Item VII.

UNICHEM INTERNATIONAL

601 NORTH LEECH P.O.BOX1499

HOBBS, NEW MEXICO 88240

COMPANY : AMOCO
DATE : 2-6-84
FIELD,LEASE&WELL : BONE SPRINGS STATE FU #6
SAMPLING POINT. WELLHEAD
DATE SAMPLED : 2-2-84

SPECIFIC GRAVITY = 1.134
TOTAL DISSOLVED SOLIDS = 198880
PH = 6

| | | ME/L | MG/L |
|---|---|---|---|
| **CATIONS** | | | |
| CALCIUM | (CA)+2 | 206. | 4141. |
| MAGNESIUM | (MG)+2 | 163. | 1985. |
| SODIUM | (NA),CALC. | 3086. | 70967. |
| **ANIONS** | | | |
| BICARBONATE | (HCO3)-1 | 4 | 244. |
| CARBONATE | (CO3)-2 | 0 | 0 |
| HYDROXIDE | (OH)-1 | 0 | 0 |
| SULFATE | (SO4)-2 | 52.9 | 2541. |
| CHLORIDES | (CL)-1 | 3400 | 119000 |
| **DISSOLVED GASES** | | | |
| CARBON DIOXIDE | (CO2) | NOT RUN | |
| HYDROGEN SULFIDE | (H2S) | NOT RUN | |
| OXYGEN | (O2) | NOT RUN | |
| IRON(TOTAL) | (FE) | | 18.5 |
| BARIUM | (BA)+2 | NOT RUN | |
| MANGANESE | (MN) | NOT RUN | |

IONIC STRENGTH (MOLAL) =3.906

| SCALING INDEX | TEMP |
|---|---|
| | 30C<br>86F |
| CARBONATE INDEX | -.10 |
| CALCIUM CAREONATE SCALING | UNLIKELY |
| CALCIUM SULFATE INDEX | -3.9 |
| CALCIUM SULFATE SCALING | UNLIKELY |

IONIC STRENGTH IS TOO HIGH FOR CARBONATE METHOD

Support Item VII.

UNICHEM INTERNATIONAL

601 NORTH LEECH P.O.BOX1499

HOBBS, NEW MEXICO 88240

OMPANY : AMOCO
ATE : 9-7-82
IELD,LEASE&WELL : STATE HR#1.
AMPLING POINT: WOLFCAMP
ATE SAMPLED : 9-2-82

PECIFIC GRAVITY = 1.084
OTAL DISSOLVED SOLIDS = 124195
H = 6.2

| | | ME/L | MG/L |
|---|---|---|---|
| CATIONS | | | |
| ALCIUM | (CA)+2 | 140 | 2805. |
| AGNESIUM | (MG)+2 | 100 | 1215. |
| ODIUM | (NA).CALC. | 1904. | 43774. |
| ANIONS | | | |
| ICARBONATE | (HCO3)-1 | 1.6 | 97.6 |
| ARBONATE | (CO3)-2 | 0 | 0 |
| YDROXIDE | (OH)-1 | 0 | 0 |
| ULFATE | (SO4)-2 | 27.4 | 1319. |
| HLORIDES | (CL)-1 | 2115 | 74983. |
| DISSOLVED GASES | | | |
| ARBON DIOXIDE | (CO2) | NOT RUN | |
| YDROGEN SULFIDE | (H2S) | NOT RUN | |
| XYGEN | (O2) | NOT RUN | |
| RON(TOTAL) | (FE) | | 45.5 |
| ARIUM | (BA)+2 | | .5 |
| ANGANESE | (MN) | NOT RUN | |

~124,096 mg/L

| SCALING INDEX | TEMP |
|---|---|
| | 30C 86F |
| ARBONATE INDEX | .889 |
| ALCIUM CARBONATE SCALING | LIKELY |
| ULFATE INDEX | -1.3 |
| ALCIUM SULFATE SCALING | UNLIKELY |

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mack Energy
11344 Lovington Hwy
Artesia NM
88210

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature
X Kim Rodriguez ☐ Agent ☐ Addressee

B. Received by (Printed Name) Kim Rodriguez | C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7011 3500 0001 4172 7812

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87504

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature
X Rachel A Denes ☐ Agent ☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7011 0470 0003 3257 6976

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Slash Exploration
Armstrong Energy.
500 N. Main #200
Roswell, NM
88201

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature
X Marina Mahan ☒ Agent ☐ Addressee

B. Received by (Printed Name) MARINA MAHAN | C. Date of Delivery 12-16-13

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7011 3500 0001 4172 7829

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

**SENDER:** *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Elk Oil Co.
500 N. Main St.
#200
Roswell, NM
88201

*COMPLETE THIS SECTION ON DELIVERY*

A. Signature

X Marina Mahan ☑ Agent ☐ Addressee

B. Received by *(Printed Name)*: MARINA MAHAN

C. Date of Delivery: 12-16-13

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
*(Transfer from service label)* 7011 0470 0003 3257 6914

**SENDER:** *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chaves Oil Corp
11344 Lovington Hwy
Artesia NM
88210

*COMPLETE THIS SECTION ON DELIVERY*

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) Ron Rodriguez C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
*(Transfer from service label)* 7011 3500 0001 4172 7805

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

**SENDER: *COMPLETE THIS SECTION***

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

COG Operating
1293 CR 305
Midland TX
79701

***COMPLETE THIS SECTION ON DELIVERY***

A. Signature
X Janet Smith ☐ Agent ☐ Addressee

B. Received by (*Printed Name*) Janet Smith C. Date of Delivery 12/16/13

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (*Extra Fee*) ☐ Yes

2. Article Number (*Transfer from service label*) 7011 0470 0003 3257 6921

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

CROWN OIL PARTNERS IV LP
4000 N. Big Springs #310
MIDLAND TX 79705

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature
X S Behrends ☑ Agent ☐ Addressee

B. Received by (Printed Name) S BEHRENDS
C. Date of Delivery 1-27-14

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail® ☐ Priority Mail Express™
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ Collect on Delivery

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7012 3050 0000 5614 9852

PS Form 3811, July 2013 Domestic Return Receipt

UNITED STATES POSTAL SERVICE

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4® in this box•

CRYSTAL RIVER OIL & GAS
110 MIDLAND AVE
BASALT, CO 81621

YH STATE SWD

# Affidavit of Publication

State of New Mexico,
County of Lea.

I, DANIEL RUSSELL
PUBLISHER
of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period

of 2 issue(s).
Beginning with the issue dated
December 11, 2013
and ending with the issue dated
December 12, 2013

PUBLISHER
Sworn and subscribed to before me
this 12th day of
December, 2013

Notary Public

My commission expires
January 29, 2015
(Seal)

OFFICIAL SEAL
GUSSIE BLACK
Notary Public
State of New Mexico
My Commission Expires 1-29-15

This newspaper is duly qualified to publish legal notices or advertisments within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said publication has been made.

**LEGAL NOTICE**
**December 11 & 12, 2013**

KC Resources has applied for administrative approval to convert the Lea YH State #4 well to a produced water disposal well. The Lea YH State #4 well is located 1980' FSL & 990' FEL, Section 25 T18S-R34E, Lea County, New Mexico. The purpose of this conversion is to dispose of on lease produced water. The maximum proposed rate of injection is 400 barrels of water per day and the maximum proposed injection pressure is 1,360 psi. Water will be disposed of into the Delaware formation at a depth of 6,670' to 6,930'. Any questions concerning this proposal can be addressed to Mr. John C. Maxey, Petroleum Engineer, Maxey Engineering LLC, P.O. Box 1361, Roswell, NM 88202, phone 575-623-0438. Interested parties must file objections or request a hearing with the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico 67505 within 15 days.
**#28627**

67111169 00127387

JOHN MAXEY
MAXEY ENGINEERING, LLC
PO BOX 1361
ROSWELL 88202-1361

# Maxey Engineering, LLC

*P. O. Box 1361*
*400 North Pennsylvania Avenue • Suite 230A*
*Roswell, NM 88202-1361*
*Office: (575) 623-0438 • Email: jcm@maxeyengineering.com*
*www.maxeyengineering.com*




February 4, 2014 pMAM1404158957

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Subject: Application for Authority to Inject
Lea YH State #4
1980' FSL & 990' FEL
Sec 25 18S 34E
Lea County, NM

Ladies and Gentlemen:

Enclosed is an application for administrative approval of a produced water disposal filed on behalf of the operator KC Resources for their subject well. The surface owner and the offset operators and owners within the wells area of review have been notified and sent a copy of the application as evidenced by copies of the certified return receipts that are attached to the application. Also attached is an Affidavit of Publication from the Hobbs News-Sun.

If you have any questions please advise the undersigned.

Sincerely,

John C. Maxey, P.E.
Petroleum Engineer

XC: 1 copy NMOCD, Hobbs District Office

# C-108 Review Checklist: Received 02/07/14 Add. Request: — Reply Date: — Suspended: See Note [Ver 13]

Suspended pending approval of ACOI

**PERMIT TYPE:** WFX / PMX / SWD Number: 14184 Permit Date: 05/21/14 Legacy Permits/Orders: ACOI-285

Well No. 4 Well Name(s): Lea YH State

API : 30-0 25-26687 Spud Date: 02/20/1980 New or Old: Old (**UIC Class II Primacy 03/07/1982**)

Footages 1980 FSL / 990 FEL Lot — or Unit I Sec 25 Tsp 18S Rge 34E County Lea

General Location: ~8 mi SW of Arkansas Jnct along 62/180 Pool: Airstrip; Bone Spring 122912 Pool No.: 960

BLM 100K Map: Hobbs Operator: KC Resources, Inc. OGRID: 15142 Contact: John Maxey

**COMPLIANCE RULE 5.9:** Total Wells: 11 Inactive: ACOI Fincl Assur: ACOI Compl. Order? Yes **IS 5.9 OK?** [ACOI includes] well **Date:** 04/14/14

**WELL FILE REVIEWED** ✓ Current Status: TA - former BS producer

**WELL DIAGRAMS: NEW:** Proposed ○ or **RE-ENTER:** Before Conv. ✓ After Conv. ✓ Logs in Imaging: CNL/CDL Dual Laterlog

Planned Rehab Work to Well: Install CIBP w/cmt cap at 7000; perf interval 6700 to 6900

| **Well Construction Details:** | Sizes (in) Borehole / Pipe | Setting Depths (ft) | Stage Tool | Cement Sx or Cf | Cement Top and Determination Method |
|---|---|---|---|---|---|
| Planned — or Existing ✓ **Surface** | 17½ / 11 3/4 | 0 to 300' | | 500 | Cir. to Surface |
| Planned — or Existing ✓ **Interm/Prod** | 11 / 8 5/8 | 0 to 3480' | None | 900 | Cir. to Surface |
| Planned — or Existing ✓ **Interm/Prod** | 7⅞ / 5½ | 0 to 10,834 | None | 700 | TOC 7660 by TS |
| Planned — or Existing — **Prod/Liner** | — | — | — | 5½ - suspected casing collapse at 7572' → squeezed cmt below interval | |
| Planned — or Existing — **Liner** | — | — | — | | |
| Planned ✓ or Existing — **OH / PERF** | — 5½ | 6670 to 6930 BS Perfs at +9050 | Inj Length 160 ft | | |

| **Injection Stratigraphic Units:** | Depths (ft) | Injection or Confining Units | Tops |
|---|---|---|---|
| **Adjacent Unit:** Litho. Struc. Por. | | ~~Lamar~~ / Ramsey | 3757 |
| **Confining Unit:** Litho. Struc. Por. | | Bell Canyon / Cherry Canyon | |
| **Proposed Inj Interval TOP:** | 6670 | Delaware / ~~Brushy Canyon~~ | — |
| **Proposed Inj Interval BOTTOM:** | 6930 | | — |
| **Confining Unit:** Litho. Struc. Por. | +785 | Bone Spring | 7715 |
| **Adjacent Unit:** Litho. Struc. Por. | | Wolfcamp | — |

**Completion/Operation Details:**

Drilled TD 10,834 PBTD 10834'

NEW TD NA NEW PBTD 7000'

NEW Open Hole ○ or NEW Perfs ✓

Tubing Size 2 3/8 in. Inter Coated? Yes

Proposed Packer Depth 6600 ft

Min. Packer Depth 6570 (100-ft limit)

Proposed Max. Surface Press. 1,360 psi

Admin. Inj. Press. 1334 (0.2 psi per ft)

## AOR: Hydrologic and Geologic Information

**POTASH: R-111-P** ✓ Noticed? NA **BLM Sec Ord** NA **WIPP** ✓ Noticed? NA **SALT/SALADO** T: 2336 B: 3262 **CLIFF HOUSE** NA

**FRESH WATER: Aquifer** Ogallala - edge/transitional Max Depth <200' **HYDRO AFFIRM STATEMENT** By Qualified Person ✓

**NMOSE Basin:** Lea **CAPITAN REEF:** thru ○ adj ○ NA ✓ **No. Wells within 1-Mile Radius?** 1 TD 182' DTW 117' FW Analysis ✓ consulting PE NB

**Disposal Fluid:** Formation Source(s) Wolfcamp / Bone Spring Analysis? Yes On Lease ○ Operator Only ✓ or Commercial ○

**Disposal Int:** Inject Rate (Avg/Max BWPD): 200/400 Protectable Waters? No Source: Labrpt System: Closed ○ or Open ✓

**HC Potential:** Producing Interval? No Formerly Producing? No Method: Logs/DST/P&A/Other Historical 2-Mile Radius Pool Map ✓

**AOR Wells:** 1/2-M Radius Map? Yes Well List? Yes Total No. Wells Penetrating Interval: 9 Horizontals? 0

**Penetrating Wells: No. Active Wells** 3 Num Repairs? 3 on which well(s)? Lea YH State #1 (30-025-26104) Diagrams? No

Lea YH State #2 (30-025-26199)

**Penetrating Wells: No. P&A Wells** 6 Num Repairs? 0 on which well(s)? Lea YH State #3 (30-025-26303) Diagrams? Yes

**NOTICE:** Newspaper Date 12/11/2013 Mineral Owner SLO Surface Owner SLO N. Date 01/27/2014

**RULE 26.7(A): Identified Tracts?** No Affected Persons: Mack Energy; COG; Chase Oil; Elk Oil; Slash Exp; Crown Oil N. Date 01/27/2014

**Permit Conditions:** **Issues:** Cmt too for SWD well; three AOR wells - cmt to isolate

**Add Permit Cond:** AOR approx injection interval; injection well - 5½ casing cmt to surface

**STATE OF NEW MEXICO**
**ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**
**OIL CONSERVATION DIVISION**

**NMOCD – ACOI- 285**

**IN THE MATTER OF KC RESOURCES, INC.**

**Respondent.**

## INACTIVE WELL
## AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and KC Resources, Inc. ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI"). Operator agrees to plug, place on approved temporary abandonment status, or restore to production or other beneficial use the wells identified herein in accordance with the following agreed schedule and procedures, or face the possibility of no further agreed compliance orders. See 19.15.25.8 NMAC

## FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.

2. Operator is a Company doing business in the state of New Mexico.

3. Operator is the operator of record under OGRID 122912 for the wells identified in Exhibit "A," attached.

4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

> "A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.
> B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:
> ....
> ....
> (3) a period of one year in which a well has been continuously inactive."

5. The wells identified in Exhibit "A"

(a) have been continuously inactive for a period of one year plus 90 days;
(b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
(c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

6. An operator faces sanctions if it is out of compliance with OCD Rule 19.15.5.9 NMAC. Sanctions include possible denial of registration by operator or certain related entities (OCD Rule 19.15.9.8B NMAC), possible denial of change of operator that would transfer wells to the noncompliant operator (OCD Rule 19.15.9.9C.1 NMAC), mandatory denial of injection permits (OCD Rule 19.15.26.8A NMAC), possible revocation of injection permits after notice and hearing (OCD Rule 19.15.26.8A NMAC), possible denial of applications for a drilling permit (OCD Rule 19.15.14.10A NMAC), and mandatory denial of allowable and authorization to transport (OCD Rule 19.15.16.19A NMAC).

7. Operator is currently out of compliance with OCD Rule 19.15.5.9.A(4) NMAC because it has too many wells out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule) that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with the inactive well rule and imposing sanctions if the schedule is not met. See OCD Rule 19.15.5.9(A)(4) NMAC.

8. As the operator of record of **11** wells, to be in compliance with OCD Rule 19.15.5.9.A(4) NMAC, Operator may have no more than **2** wells out of compliance with OCD Rule 19.15.25.8 NMAC (inactive well rule). See OCD Rule 19.15.5.9A(4)(b) NMAC. According to the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, Operator has **7** wells out of compliance with the inactive well rule as of April 10, 2014. A copy of Operator's inactive well list as of April 10, 2014 is attached as Exhibit "A." Operator faces sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.

9. Operator intends to seek privileges from the OCD that would be subject to sanction due to Operator being out of compliance with OCD Rule 19.15.5.9 NMAC. By placing the wells identified in Exhibit "A" under this Order, Operator will not face sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.

## CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.

ACOI

2. The wells identified in Exhibit "A" are out of compliance or will be out of compliance with OCD Rule 19.15.25.8 NMAC.

3. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.

4. The OCD and Operator enter into this Order to remove the wells identified in Exhibit "A" from the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC and consideration of Operator's compliance with the inactive well rule for purposes of Operator's compliance with OCD Rule 19.15.5.9 NMAC. Operator remains subject to sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC ***IF*** Operator becomes out of compliance with OCD Rule 19.15.5.9 NMAC for any reason other than the inactive wells identified in Exhibit "A."

## ORDER

1. Operator agrees to bring **6** wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by October 15, 2014 via

   (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use**; or
   (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work**; or

2. Oil and gas produced during swabbing does not count as production for purposes of this Order.

3. **Operator agrees to complete the remediation of the Jones D Battery site, to the satisfaction of the Artesia District Office and the Santa Fe Environmental Bureau, by May 15, 2014.**

4. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use or plugged wellbore). Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of October 15, 2014. The total length of this Agreed Compliance Order is six months.

ACOI

5. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.

6. This Order shall expire on November 15, 2014. At that time, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, and will be considered when determining Operator's compliance with OCD Rule 19.15.5.9 NMAC.

7. By signing this Order, Operator expressly:

   (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
   (b) agrees to return to compliance **6** wells identified in Exhibit "A" by October 15, 2014;
   (c) agrees to return to complete the remediation of the Jones D Battery site by May 15, 2014;
   (d) agrees to submit a compliance report as required in Ordering Paragraph 3 by the October 15, 2014 compliance deadline set by this Order;
   (e) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order other than a hearing on a request for waiver; and
   (f) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.

8. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells and AP/1R sites identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.

9. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 14th day of April, 2014

By: _____
Jami Bailey
Director, Oil Conservation Division

**ACCEPTANCE**

KC Resources, Inc. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

By: _____
(Please print name) REINER KRUG WITTE
Title: PRINCIPAL
Date: 4-10-14

# Exhibit "A" to Agreed Compliance Order for KC Resources, Inc.

**Total Well Count: 11 Inactive Well Count: 7**
**Printed On: Thursday, April 10 2014**

| District | API | Well | ULSTR | OCD Unit | OGRID | Operator | Lease Type | Well Type | Last Production | Formation/Notes | Status | TA Exp Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2 | 30-015-00192 | JONES D #001 | H-13-18S-26E | H | 122912 | KC RESOURCES INC | P | O | 01/2009 | | | |
| 2 | 30-015-20421 | JONES D #005 | 3-18-18S-27E | L | 122912 | KC RESOURCES INC | P | I | 05/2012 | | | |
| 1 | 30-025-26104 | LEA YH STATE #001 | O-25-18S-34E | O | 122912 | KC RESOURCES INC | S | O | 04/2008 | INT TO RTTP 7/18/2013 | | |
| 1 | 30-025-26299 | LEA YH STATE #002 | P-25-18S-34E | P | 122912 | KC RESOURCES INC | S | O | 08/1988 | | T | 11/29/2010 |
| 1 | 30-025-26562 | LEA YH STATE #003 | J-25-18S-34E | J | 122912 | KC RESOURCES INC | S | O | 04/2008 | TO BE EVALUATED 7/2013 | | |
| 1 | 30-025-26687 | LEA YH STATE #004 | I-25-18S-34E | I | 122912 | KC RESOURCES INC | S | O | 11/2001 | INT TO PB TO BONE SPRING APVD 1/05 | T | 12/16/2010 |
| 2 | 30-015-10860 | PAUL TERRY ET AL GAS COM #002 | H-15-18S-26E | H | 122912 | KC RESOURCES INC | P | G | 08/2008 | | | |

WHERE Ogrid:122912, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

By: Reines Klawiter
Title: Manager

ACOI