

COBALT OPERATING, LLC
 CONSOLIDATED STATE 3
 660' FNL & 2128' FWL SEC. 9, T. 17 S., R. 37 E.
 LEA COUNTY, NEW MEXICO

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a November 17, 2011 field inspection. State records indicate the 120' deep water well was drilled in 1953 and plugged in 1954.

Exhibit D shows 163 existing wells (36 producing oil or gas + 97 plugged & abandoned + 9 water injectors or disposals + 21 water wells) within a two mile radius.

Exhibit E shows all leases and lessors (only State and fee) within a one-half mile radius. Exhibit F shows all leases and lessors (only State and fee) within a two mile radius. Details on the leases within a one half mile radius are:

<u>T. 17 S., R. 37 E.</u>	<u>Lessor</u>	<u>Lease Number</u>	<u>Lessee</u>
W2SE4 & SESE Section 4	fee	fee	Cimarex
SESW Section 4	NMSLO	B0-2517-0000	ConocoPhillips
N2SW4 Section 4	NMSLO	E0-8636-0001	ConocoPhillips
SWSW Section 4	NMSLO	VB-0665-0001	Chesapeake
SESE Section 5	fee	fee	Chesapeake
SENE Section 8	fee	fee	Cobalt
NENE Section 8	NMSLO	E0-8563-0004	Roemer
NE4 Section 9	NMSLO	VB-1354-0001	Chesapeake
NWSE Section 9	NMSLO	VB-2033-0001	Texland

VI. Seven of the nine wells that are within a half mile penetrated the Strawn. Five of those seven Strawn wells have been plugged and abandoned. Of the remaining two Strawn wells, one is an active SWD; Strawn well (1,228' east) and the other is an active Strawn oil well (1,768' northwest). See Exhibit G for a tabulation of the well histories and diagrams of the five plugged wells that penetrated the Strawn.

<u>OPERATOR</u>	<u>WELL</u>	<u>API 30-025-</u>	<u>T. 17 S., R. 37 E.</u>	<u>ZONE(S)</u>	<u>STATUS</u>	<u>TD</u>	<u>DISTANCE</u>
Frisbie & Yancy	water supply	(NMSEO L 02327)	NENW Section 9	Ogallala	P & A	120'	137'
Sinclair	State 335	05431	330 FN & 2310 FE Section 9	Wildcat; Paddock	P & A	6500	908'
Dakota	NM Ex State 2	29440	330 FN & 1980 Fe Section 9	SWD; Strawn	SWD	11300	1228'

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<u>OPERATOR</u>	<u>WELL</u>	<u>API 30-025-</u>	<u>T. 17 S., R. 37 E.</u>	<u>ZONE(S)</u>	<u>STATUS</u>	<u>TD</u>	<u>DISTANCE</u>
Tipperary	Jons 4 State	28806	560 FS & 1650 FW Section 4	Shipp; Strawn	P & A	11336	1312'
Pennzoil	Viersen 3	29829	150 FS & 2080 FE Section 4	Shipp; Strawn	P & A	11240	1344'
Chesapeake	Bubba 4 State	37420	731 FS & 1043 FW Section 4	Shipp; Strawn	Oil	11195	1768'
Fasken	Consolidated 1	27183	2310 FN & 330 FW Section 9	Midway; Devonian	P & A	11073	2453'
Cimarex	Viersen 2	29445	1300 FS & 1650 FE Section 4	Shipp; Strawn	P & A	11281	2469'
Exxon	NM EX State 1	29367	330 FN & 660 FE Section 9	Midway; Abo Humble City; Wolfcamp Shipp; Strawn	P & A	11412	2523'
Chevron	Lea State 1	29640	2086 FS & 2086 FW Section 4	Shipp; Strawn	P & A	11250	2750'

- VII. 1. Average injection rate will be \approx 1,500 bwpd.
 Maximum injection rate will be \approx 2,000 bwpd.
2. System will be closed. Cobalt has an existing pipeline to the well.
3. Average injection pressure will be \approx 1,000 psi
 Maximum injection pressure will be \approx 2,188 psi ($= 0.2$ psi/foot \times 10,944' (highest perforation)).
4. Water source will be produced water only from Cobalt wells. Cobalt currently has 2 wells, both are in 8-17s-37e. One well is a Strawn oil well (Hale State 1Y is in the Midway; Strawn Pool). The other well (Warren 2) was once a Midway; Strawn producer, but is now a Midway; Devonian oil well. A summary of closest analyses in the WAIDS data base from Strawn (Exhibit H) and Devonian (Exhibit I) wells follows.
- No compatibility problems have been reported from Dakota's New Mexico Ex State 2 (30-025-29440). That Strawn disposal well is 1,228 east at 330 FNL & 1980 FEL Section 9. Over 270,624 barrels barrels have been disposed into it since 2007.

