NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 7, 2003

Mr. James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

Re: Beach Exploration, Inc.
Request for Injection Pressure Increase
West High Lonesome (Penrose Sand) Unit
Eddy County, New Mexico

Case 13128

Dear Mr. Bruce:

The Division received the subject administrative application (Reference No. pkrv0306434432) on March 4, 2003. I have reviewed the subject application and have determined that additional geologic and/or engineering evidence is necessary in order to process the request. Accordingly, I have docketed the subject application for hearing before a Division examiner on August 7, 2003. Beach Exploration, Inc. should be prepared to appear and present evidence and testimony at the hearing to support its request.

Enclosed is a copy of the advertisement for this case.

If you should have any questions, please call me at (505) 476-3466.

Sincerely,

David Catanach
Engineer

Xc: OCD-Artesia-Attn. Mr. Tim Gum

CASE 13127 : **Application of Beach Exploration, Inc. to Increase the Maximum Surface Injection Pressure Within the West High Lonesome (Penrose Sand) Unit Waterflood Project, Eddy County, New Mexico.** Applicant seeks authority to inject into all injection wells within its West High Lonesome (Penrose Sand) Unit Waterflood Project, approved by Division Order No. R-11674, at a maximum surface injection pressure of 1,100 psi. This project encompasses all or portions of Sections 17-20, Township 16 South, Range 29 East, NMPM, Eddy County, New Mexico. This area is located approximately 10 miles northwest of Loco Hills, New Mexico.

Beach Exploration, Inc.

February 12, 2003

Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Case 13127

ATTENTION: Mr. David Catanach

RE: Request for increased surface injection pressure
West High Lonesome Penrose Sand Unit
Eddy County, New Mexico

Dear Mr. Catanach:

Beach Exploration Inc., respectfully request approval to increase the surface injection pressure limit for the West High Lonesome Penrose Sand Unit to 1,100 psi. This pressure is necessary to recover the estimated 558,000 barrels of secondary oil that would not otherwise be recovered, thereby preventing waste. It is also necessary for the economic success of the project, to fill-up the reservoir in a timely manner, get an oil production response and return the large initial capital investment. It has been shown by Beach Exploration, in past hearing testimony, that injection water will be confined to the Queen interval and not pose a threat to ground water at surface injection pressures as high as 1500 psi.

Enclosed for your consideration is the following data:

1. Copy of the OCD Order No. R-9453-A (Case No. 10495) authorizing Beach exploration to inject into the Red Lake (Penrose – Queen) Unit at a surface pressure of 1500 psi.
2. Map showing the WHL Unit and its relationship to the Red Lake Unit and other Penrose Queen units in the area. Also depicts cross section and Red Lake wells used for testing in Case No. 10495.
3. Cross section of the Queen interval and the Penrose Sand member of the Queen in the Red Lake Unit No. 23 and the West High Lonesome wells No.19 and 26.
4. Halliburton's "Frac Height" log run on Beach's Red Lake Unit No. 23, in 1992, to determine fracture growth potential for the above hearing (Case No. 10495)
5. Step Rate Tests run by John West Engineering in 1991 to determine fracture gradients in the Red Lake Unit wells No.s 5, 9, 14, 22 and 25.
6. Injection Profile logs run by Holmes Wireline in June 1992, while injecting fluid at 1500 psi in the Red Lake Unit wells No. 2, 10, 21 and 24 (Case No 10495).

Main points to be considered:

1. Injection into the WHL waterflood project commenced in September 2002. Injection was originally planned to be 200 BWPD per well in 13 wells. We initially injected into 10 wells at an average of 140 BWPD each and now are

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injecting into 8 wells at less than 90 BWPD each. This reduction has been caused by increasing injection pressures and the imposed 0.2 psi/ft limit. Cumulative water injection through January 2003 has been 167,000 bbl of water. No injection response has been seen.

2. The WHL waterflood is in an advanced state of depletion and will require an estimated 1,630,000 bbl of water to fill the reservoir and get a peak oil response. The time to fillup was originally estimated to be 21 months. Under current conditions and pressure limits, fillup will require 6 years. This delay, combined with an increased installation cost of $1,300,000 will spell economic disaster for this project. (Original installation estimate was $865,000. Over-expenditures were primarily due to difficulties in required casing leak repairs and repluggings)
3. There are several Queen (Penrose) waterflood projects in the area of WHL which have historically utilized injection pressures from 1360 to 1800 psi to effectively carry out secondary recovery operations.
4. Step Rate Tests in the Red Lake Unit indicate that Frac initiation pressures range from 805 psi to 1152 psi surface pressure and 1504 to 1820 psi bottom hole pressure. These pressures translate to frac gradients ranging from a low of 0.85 to 1.15 psi/ft.
5. Cross section A – A' shows, from Exhibit 5 of previous hearing (Case No. 10495), the Queen section extends from 240' above to 430' below the Penrose Sand. The cross section also shows that the Queen interval in the Red Lake correlates and is approximately the same thickness as in the West High Lonesome. The WHL No. 19 and 26 are the only two wells in the flood that penetrated the base of the Queen.
6. Beach Exploration had Halliburton run a "Full Wave Sonic" log in May of 1992 to determine rock properties. The resulting "Frac Height" log is a threoretical indication that fracturing the Penrose with 200 psi over frac initiation pressure would grow a fracture vertically 30 ft above the Penrose and 135 ft below the Penrose.
7. Beach Exploration had Holmes Wireline run injection profile logs on four Red Lake Unit injectors in June 1992. These profile logs were run while injecting fluid at 1500 psi to confirm fracture height and any associated channeling behind casing. All four logs indicate that 100% of the fluid is staying within six feet of the perforated interval with no channeling up or down behind casing.

Conclusions:

1. The WHL Unit consists of the same geologic interval as the Red Lake Unit and other Penrose-Queen floods in the immediate vicinity.
2. Approval to inject at a surface pressure of up to 1500 psi was granted previously based on the information that has been enclosed.
3. Surface injection pressures of 1360 to 1800 psi have historically been used to successfully carry out secondary recovery operations in this interval in this area with no adverse effects to fresh water or other potential pay zones.
4. Theoretical evidence exists (Halliburton's "Frac Height" log) that water injected at 200 psi over frac pressure will stay in zone vertically from 30 ft above to 230 ft below the Penrose.

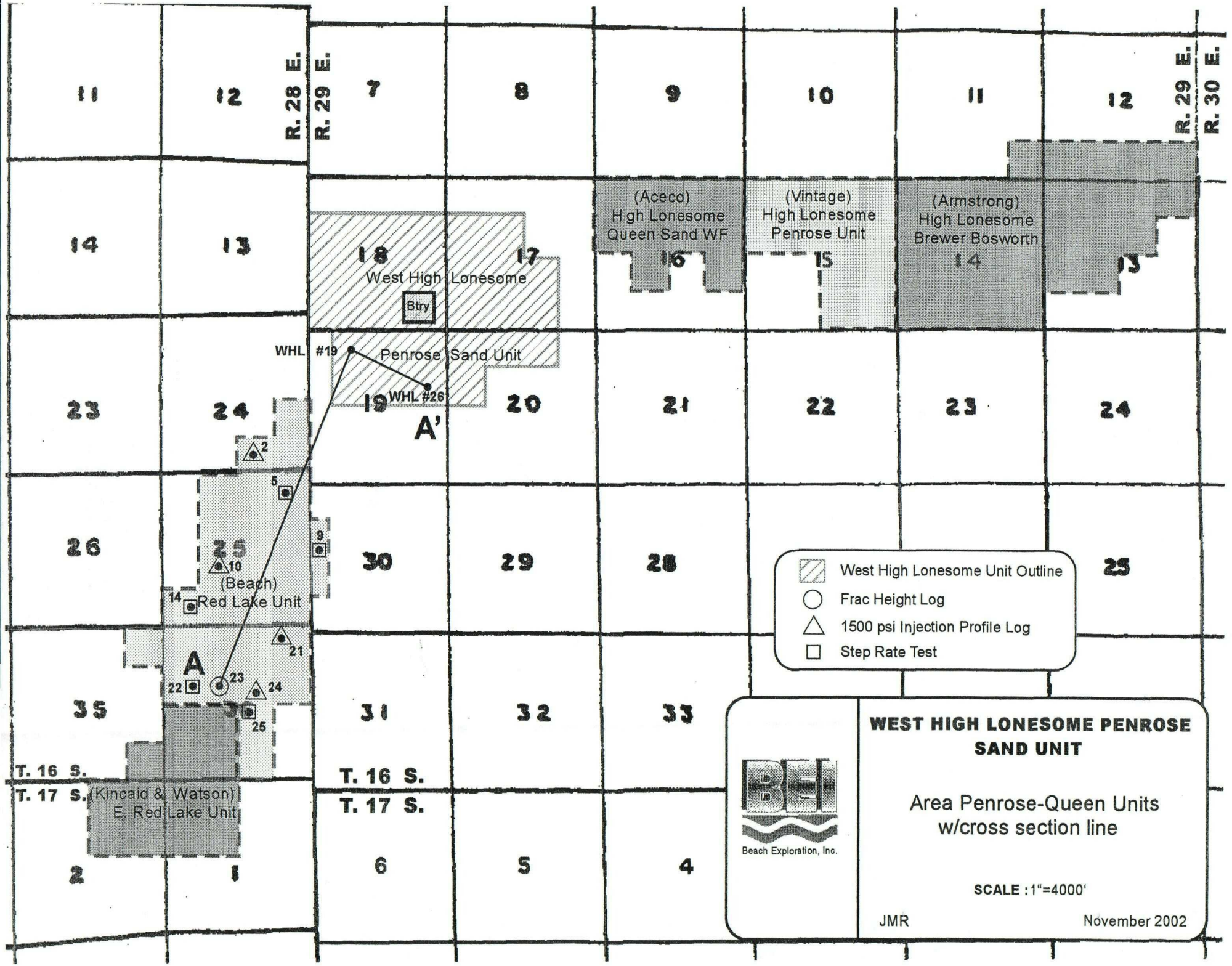
5. Practical evidence exists (Holmes Injection Profile logs) that fluid injected at a surface pressure of 1500 psi stays within six feet of the perforated Penrose interval.
6. Without authority to increase surface injection pressure the WHL Unit will be an economic failure.

If you have any questions, or if I may be of further help, please call me at (915) 683-6226.

Yours truly,

Beach Exploration, Inc

Jack M. Rose, Engineer


R. 28 E.
R. 29 E.
R. 29 E.
R. 30 E.
West High Lonesome
Btry
(Aceco)
High Lonesome
Queen Sand WF
(Vintage)
High Lonesome
Penrose Unit
(Armstrong)
High Lonesome
Brewer Bosworth
WHL #19
Penrose Sand Unit
WHL #26
A
A'
(Beach)
Red Lake Unit
(Kincaid & Watson)
E. Red Lake Unit
T. 16 S.
T. 17 S.
T. 16 S.
T. 17 S.
West High Lonesome Unit Outline
Frac Height Log
1500 psi Injection Profile Log
Step Rate Test
Beach Exploration, Inc.
WEST HIGH LONESOME PENROSE SAND UNIT
Area Penrose-Queen Units w/cross section line
SCALE : 1"=4000'
JMR
November 2002

A

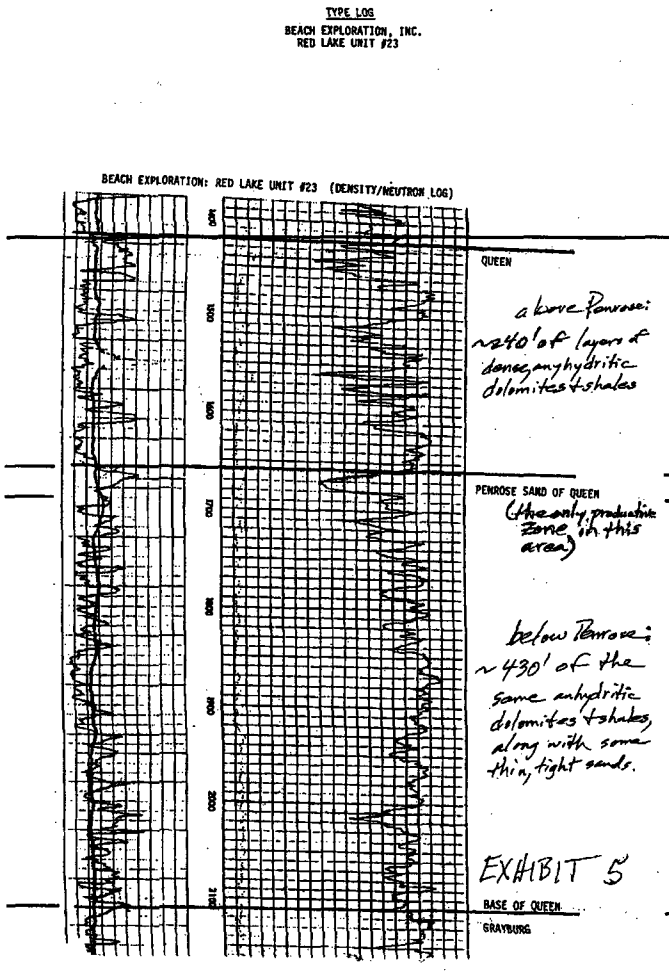
A'

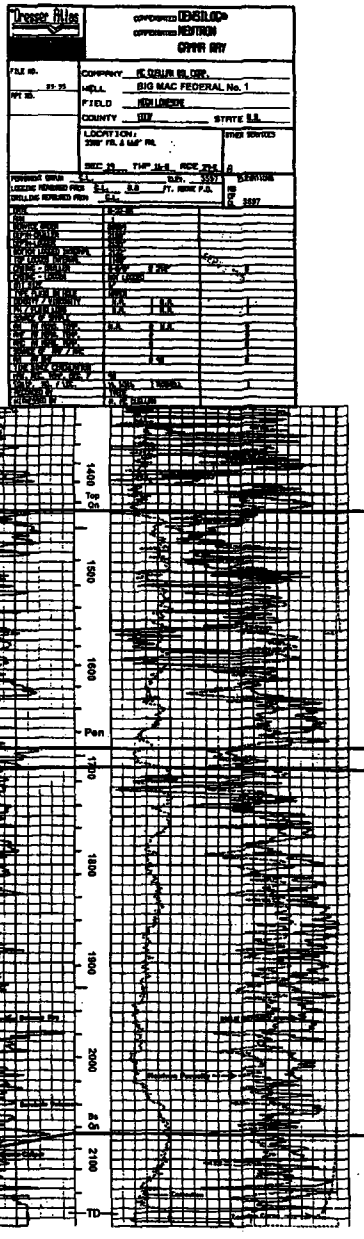
RLU No 23

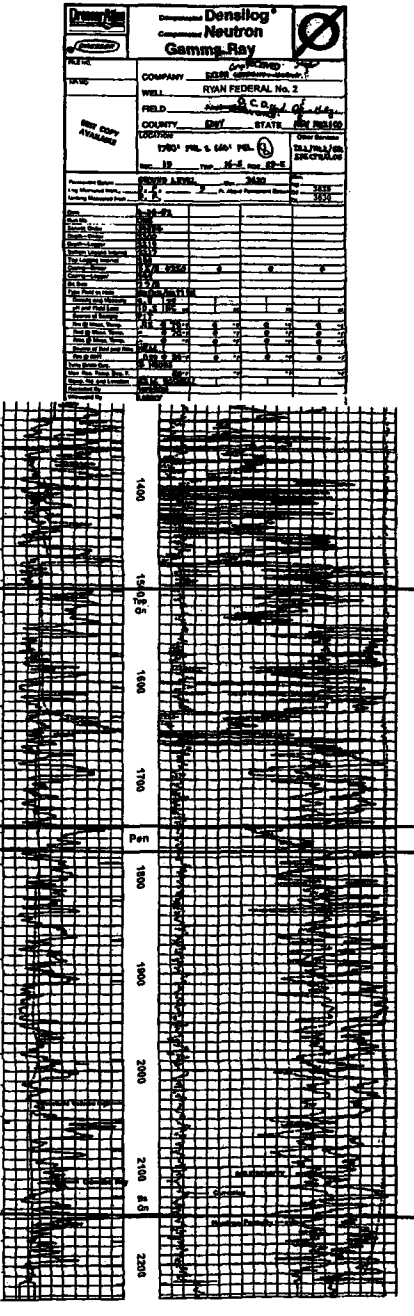
WHL No 19

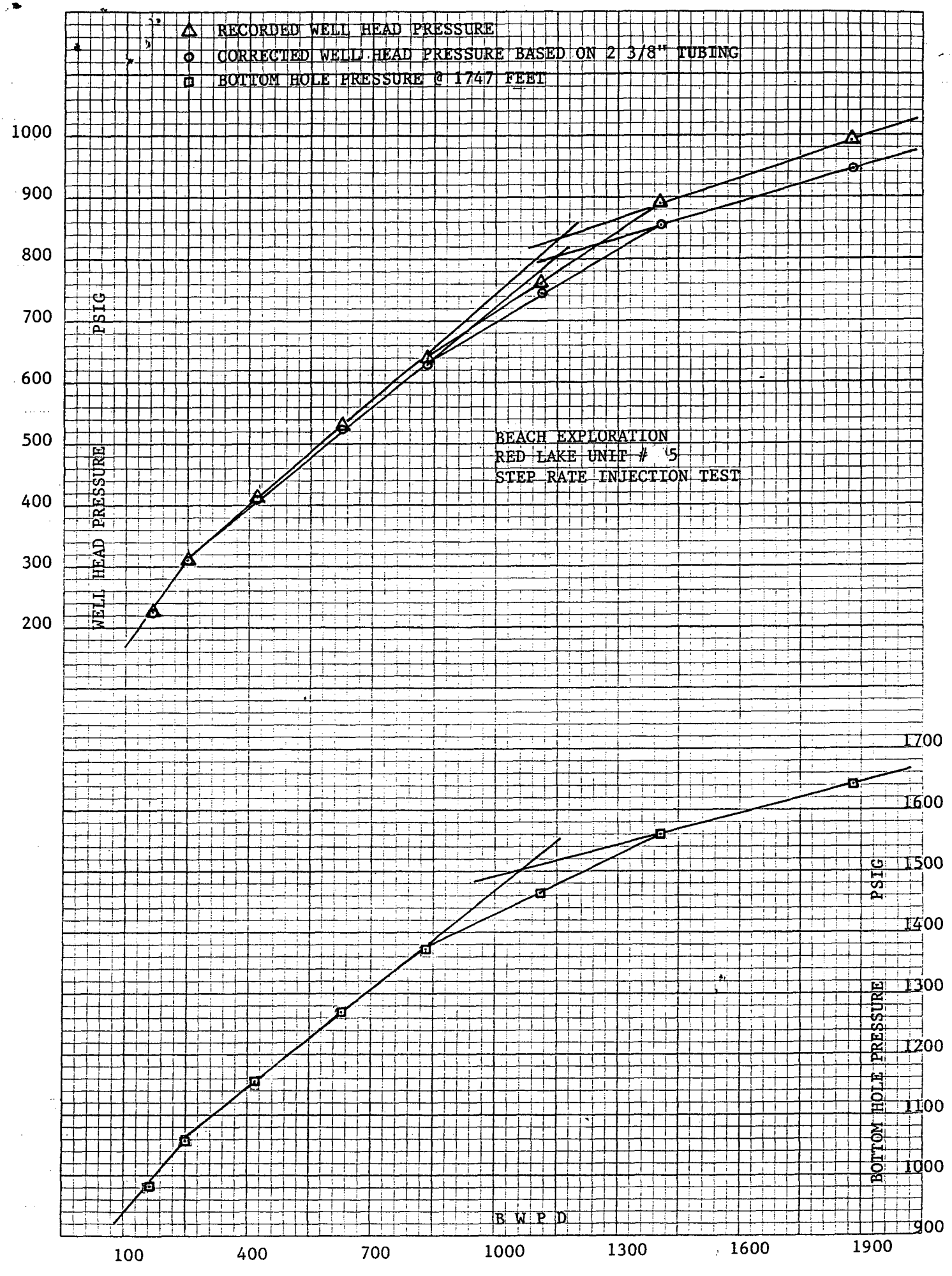
WHL No 26

Type Log From
RLU 1500 psi Injection Pressure Hearing
Exhibit No. 5
Case No. 10495
Order No. R-9453-A
July 13, 1992








RECORDED WELL HEAD PRESSURE
CORRECTED WELL HEAD PRESSURE BASED ON 2 3/8" TUBING
BOTTOM HOLE PRESSURE @ 1747 FEET
WELL HEAD PRESSURE PSIG
1000
900
800
700
600
500
400
300
200
BEACH EXPLORATION
RED LAKE UNIT # 5
STEP RATE INJECTION TEST
BOTTOM HOLE PRESSURE PSIG
1700
1600
1500
1400
1300
1200
1100
1000
900
B W P D
100
400
700
1000
1300
1600
1900

JOHN WEST ENGINEERING CO.

Step Rate Injection Test

Well Name BEACH EXPLORATION

CO. Name RED LAKE UNIT # 5

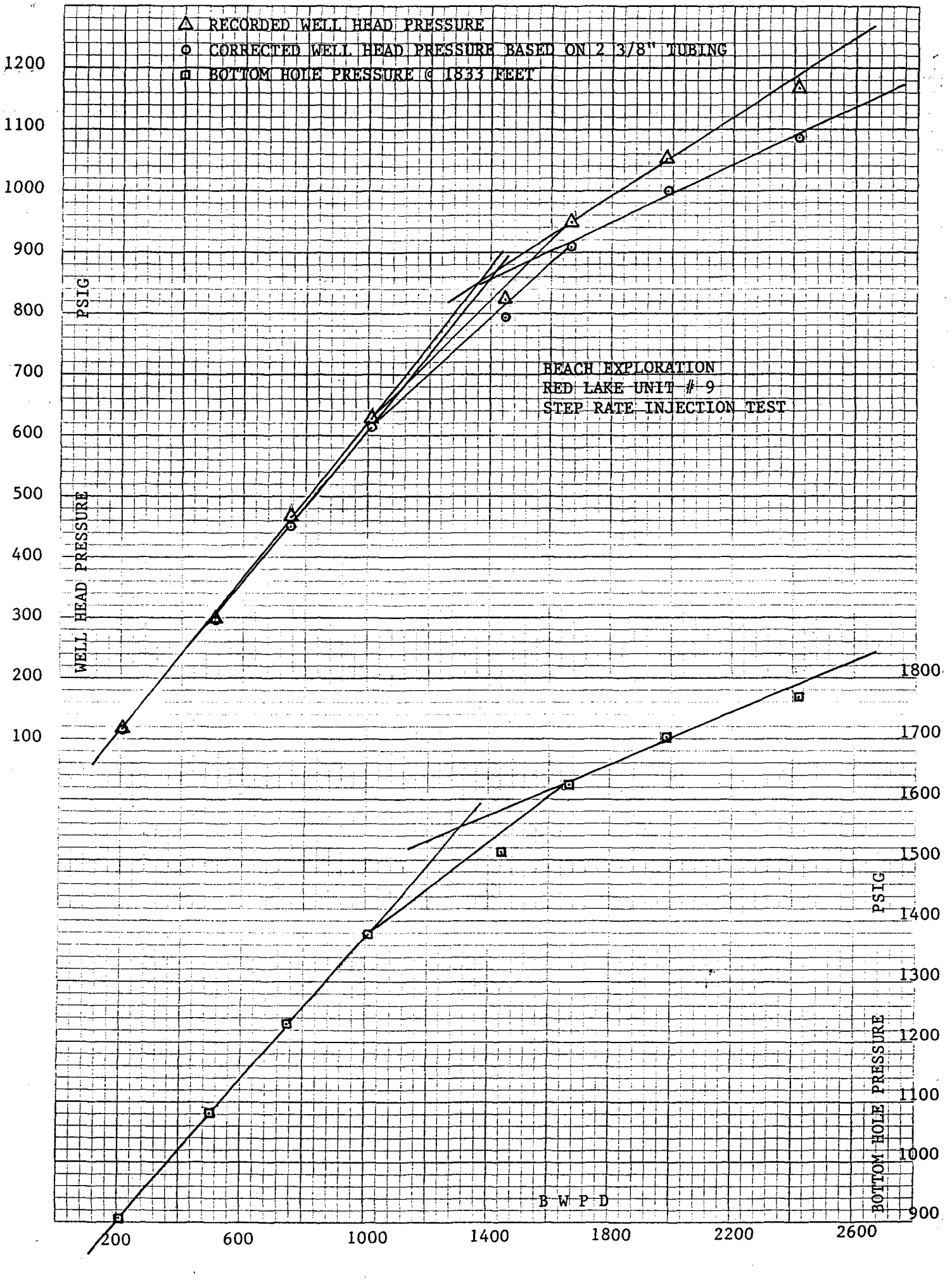
Date 7-30-91

Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
PERFS @ 1687 and 1807		FEET		PKR @ 1642 FEET				
Set @ 1747 FEET								
	9:30	145.60		0	904.50			
	9:35	191.20	201.60	.7	944.20			
	9:40	205.0	144.00	1.2	964.50			
1	9:45	225.40	144.00	1.7	981.70	224.9	4.76	.527
			163.20					
	9:50	267.40	259.20	2.6	1015.10			
	9:55	295.40	259.20	3.5	1037.70			
2	10:00	312.00	230.40	4.3	1060.10	310.9	7.28	1.156
			249.60					
	10:05	362.90	432.00	5.8	1100.10			
	10:10	396.10	403.20	7.2	1131.50			
3	10:15	415.10	432.00	8.7	1157.00	412.1	12.32	3.060
			422.40					
	10:20	473.00	633.60	10.9	1205.60			
	10:25	495.70	662.40	13.20	1240.00			
4	10:30	530.20	604.80	15.30	1268.80	523.7	18.48	6.479
			633.60					
	10:35	580.00	864.00	18.30	1312.40			
	10:40	605.60	806.40	21.10	1342.20			
5	10:45	640.00	835.20	24.0	1368.60	629.2	24.36	10.801
			835.20					
	10:50	703.00	1123.20	27.90	1411.80			
	10:55	732.30	1094.40	31.70	1439.40			
6	11:00	760.40	1123.20	35.60	1465.30	742.0	32.48	18.390
			1113.60					
	11:05	839.50	1497.80	40.8	1506.20			
	11:10	872.60	1497.80	46.0	1536.00			
7	11:15	890.60	1526.40	51.3	1561.40	858.4	43.96	32.193
			1507.20					
	11:20	955.70	1900.80	57.9	1597.40			
	11:25	978.60	1872.00	64.4	1622.00			
8	11:30	992.60	1872.00	70.9	1641.60	944.1	54.88	48.530
			1881.60					

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 5 Date 7-30-91
CO. Name BEACH EXPLORATION PAGE 2

Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
FALL OFF								
	11:31	863.5			1617.7			
	11:32	857.10			1611			
	11:33	852.00			1606			
	11:34	846.80			1601			
	11:35	843.00			1597.20			
5 MINUTES	11:40	826.20			1581.50			
5 MINUTES	11:45	813.20			1567.60			


RECORDED WELL HEAD PRESSURE
CORRECTED WELL HEAD PRESSURE BASED ON 2 3/8" TUBING
BOTTOM HOLE PRESSURE @ 1833 FEET
BEACH EXPLORATION
RED LAKE UNIT # 9
STEP RATE INJECTION TEST
WELL HEAD PRESSURE
PSIG
BOTTOM HOLE PRESSURE
PSIG
B W P D
1200
1100
1000
900
800
700
600
500
400
300
200
100
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
200
600
1000
1400
1800
2200
2600

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 9 Date 8-1-91
CO. Name BEACH EXPLORATION PAGE 1

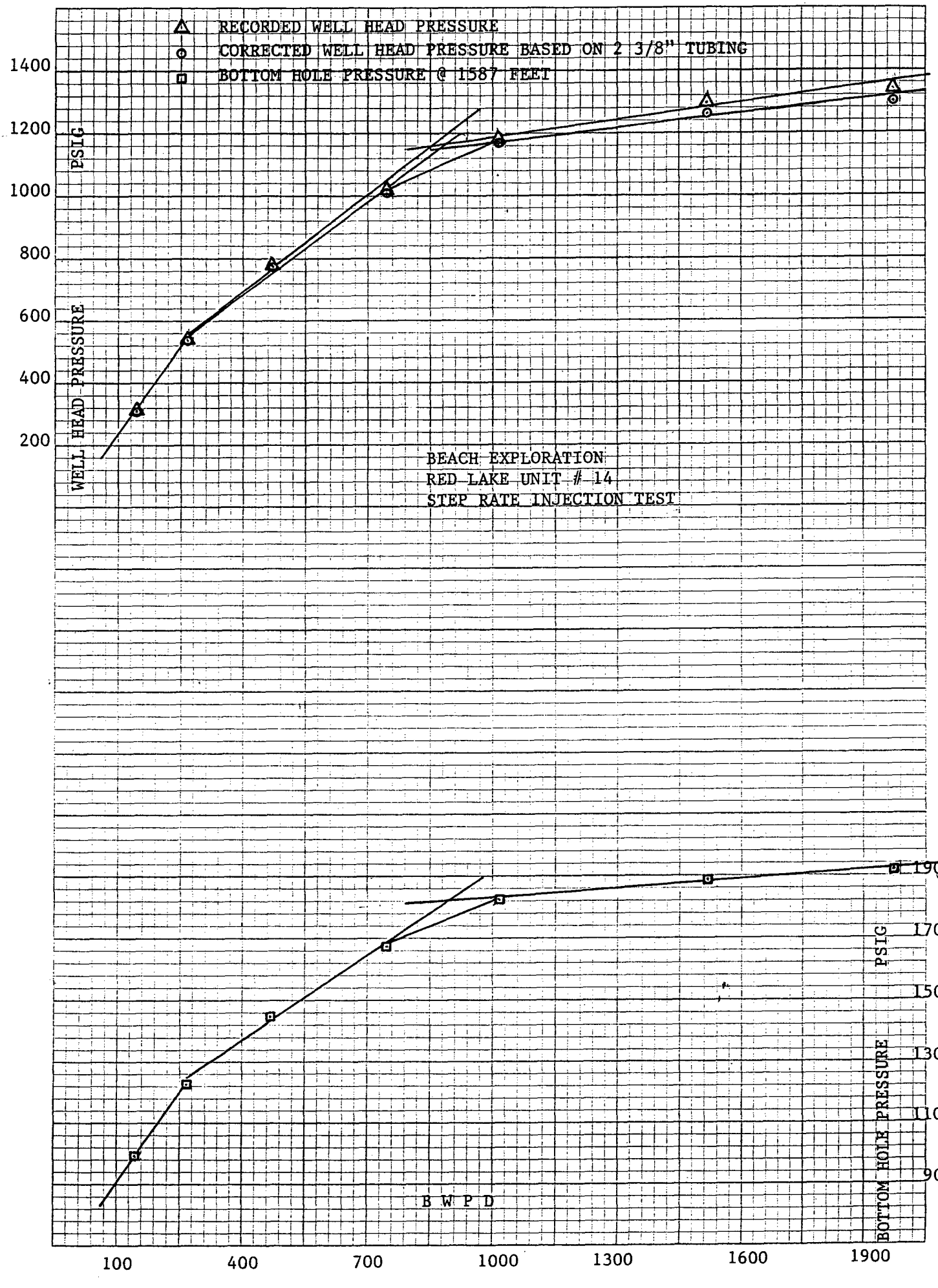
Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
PERFS @ 1828 and 1838			PKR @ 1773					
SET @ 1833 FEET			PBTD @ 1880					
	8:00	19.30		0	773.20			
	8:05	56.10	201.60	.7	842.40			
	8:10	91.50	172.80	1.3	879.20	117.28	5.88	.817
1	8:15	118.10	230.40	2.1	905.10			
			201.60					
	8:20	239.0	489.60	3.8				
	8:25	277.10	518.40	5.6	1059.40			
2	8:30	299.00	518.40	7.4	1080.7	294.1	14.84	4.530
			508.80					
	8:35	406	748.80	10.0	1171.10			
	8:40	443	777.60	12.7	1206.20			
3	8:45	464.30	748.80	15.3	1230.20	454.1	22.12	9.480
			758.40					
	8:50	565.20	1008.00	18.8	1317.80			
	8:55	611.10	1008.00	22.3	1354.40			
4	9:00	628.00	1008.00	25.8	1379.00	612.00	29.40	16.048
			1008.00					
	9:05	734.80	1353.60	30.50	1463.20			
	9:10	774.20	1353.60	35.20	1492.40			
5	9:15	821.30	1324.80	39.8	1517.00	794.0	39.20	27.324
			1343.99					
	9:20	908.10	1670.40	45.60	1584.00			
	9:25	922.10	1670.40	51.40	1609.50			
6	9:30	948.00	1670.40	57.20	1626.40	907.2	48.72	40.853
			1670.40					
	9:35	1032.00	1987.20	64.10	1676.00			
	9:40	1050.00	1987.20	71.00	1691.00			
7	9:45	1056.10	1987.20	77.9	1702	999.8	57.96	56.332
			1987.20					
	9:50	1171.20	2419.20	86.30	1754.00			
	9:55	1176.20	2419.20	94.70	1764.10			
8	10:00	1170.00	2419.20	103.10	1771.30	1089.0	70.56	81.059
			2419.20					

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 9 Date 8-1-91

CO. Name BEACH EXPLORATION

Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
FALL OFF								
	10:01	849			1639			
	10:02	819			1610			
	10:03	796			1588			
	10:04	777.0			1569.10			
	10:05	762			1553.0			
	10:10	697			1490.00			
	10:15	655.20			1447.00			


RECORDED WELL HEAD PRESSURE
CORRECTED WELL HEAD PRESSURE BASED ON 2 3/8" TUBING
BOTTOM HOLE PRESSURE @ 1587 FEET
WELL HEAD PRESSURE
PSIG
1400
1200
1000
800
600
400
200
BEACH EXPLORATION
RED LAKE UNIT # 14
STEP RATE INJECTION TEST
1900
1700
1500
1300
1100
900
PSIG
BOTTOM HOLE PRESSURE
B W P D
100
400
700
1000
1300
1600
1900

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 14 Date 7/30/91
CO. Name BEACH EXPLORATION

PAGE 1

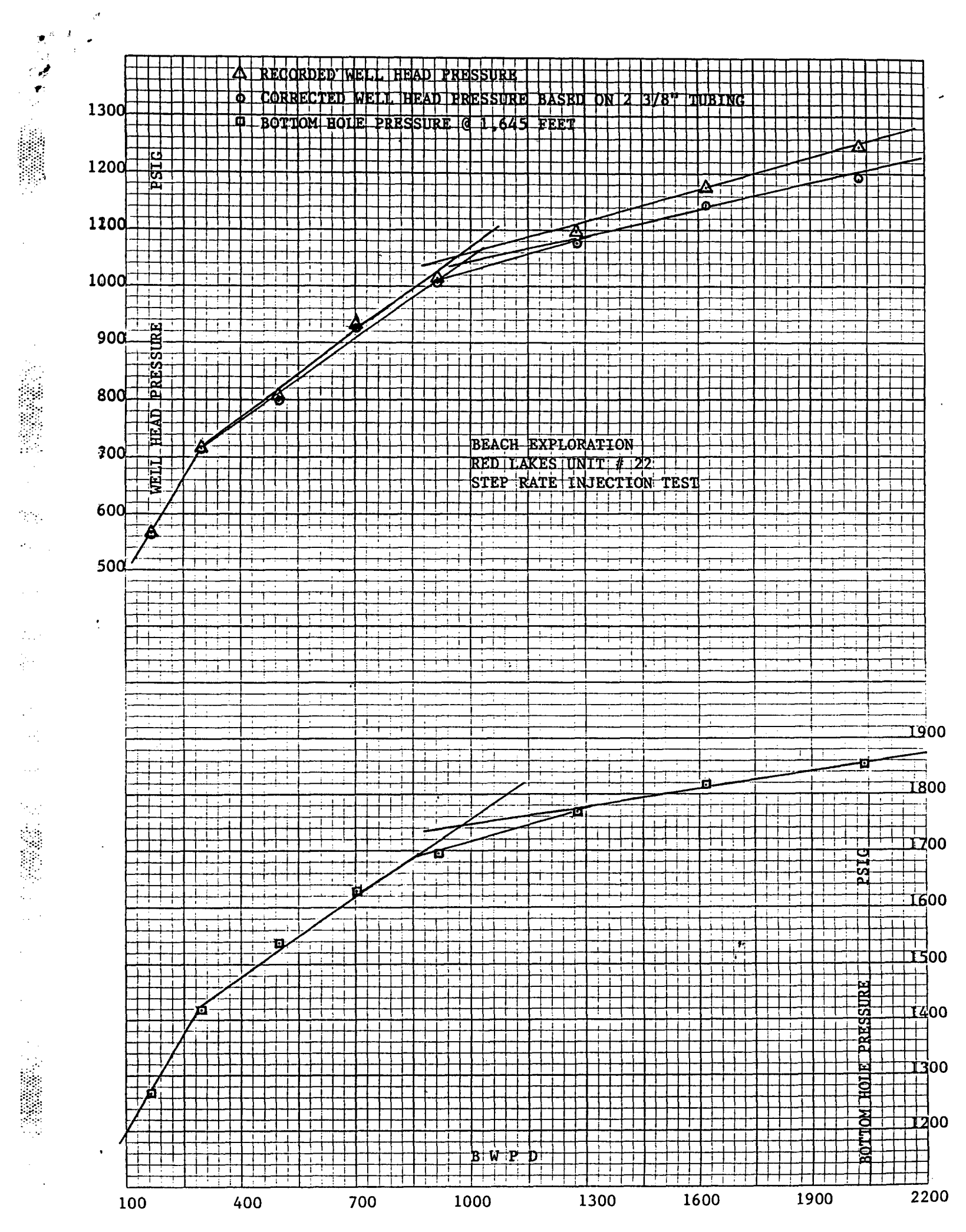
Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
PERFS @ 1575 and 1599	FEET		PKR @ 1522 FEET					
SET @ 1587 FEET								
	1:30	91.50		0	779.60			
	1:35	204.7	115.20	.4	890.40			
	1:40	274.6	144.00	.9	953.50			
1	1:45	310.10	172.80	1.5	989.90	309.7	4.20	.379
			144.00					
	1:50	443.00	288.00	2.5	1129.8			
	1:55	470.00	259.20	3.4	1157.30			
2	2:00	538.70	259.20	4.3	1225.90	537.3	7.84	1.205
			268.80					
	2:05	678	489.60	6.0	1374.30			
	2:10	763.50	460.80	7.6	1428.20			
3	2:15	773.60	460.80	9.2	1456.30	770.2	13.72	3.392
			470.40					
	2:20	955.10	748.80	11.8	1611.60			
	2:25	991.00	748.80	14.4	1649.50			
4	2:30	1014.00	748.80	17.0	1673.00	1006.0	21.84	8.017
			748.80					
	2:35	1144	1008.00	20.50	1786			
	2:40	1171	1036.80	24.10	1812			
5	2:45	1175.2	1008.00	27.6	1822.10	1161.1	29.68	14.140
			1017.59					
	2:50	1276	1497.60	32.8	1888			
	2:55	1307	1526.40	38.10	1901			
6	3:00	1283	1526.40	43.40	1897	1263.4	44.24	29.590
			1516.80					
	3:05	1366	1987.20	50.30	1922			
	3:10	1349	1958.40	57.10	1920			
7	3:15	1346	1987.20	64.00	1918	1297.7	57.68	48.337
			1977.60					
FALL OFF								
	3:16	1155			1839			
	3:17	1103			1785			
	3:18	1063.0			1747			
	3:19	1046			1730			

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 14 Date 7-30-91

CO. Name BEACH EXPLORATION

Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
FALL OFF								
CONTINUED								
	3:20	1036.10			1720			
5 MINUTES	3:25	995.20			1679.50			
5 MINUTES	3:30	961.00			1644.40			


RECORDED WELL HEAD PRESSURE
CORRECTED WELL HEAD PRESSURE BASED ON 2 3/8" TUBING
BOTTOM HOLE PRESSURE @ 1,645 FEET
PSIG
WELL HEAD PRESSURE
1300
1200
1100
1000
900
800
700
600
500
BEACH EXPLORATION
RED LAKES UNIT # 22
STEP RATE INJECTION TEST
1900
1800
1700
1600
1500
1400
1300
1200
PSIG
BOTTOM HOLE PRESSURE
B W P D
100
400
700
1000
1300
1600
1900
2200

JOHN WEST ENGINEERING CO.

Step Rate Injection Test

Well Name RED LAKE UNIT # 22 Date 7-31-91

CO. Name BEACH EXPLORATION

PAGE 1

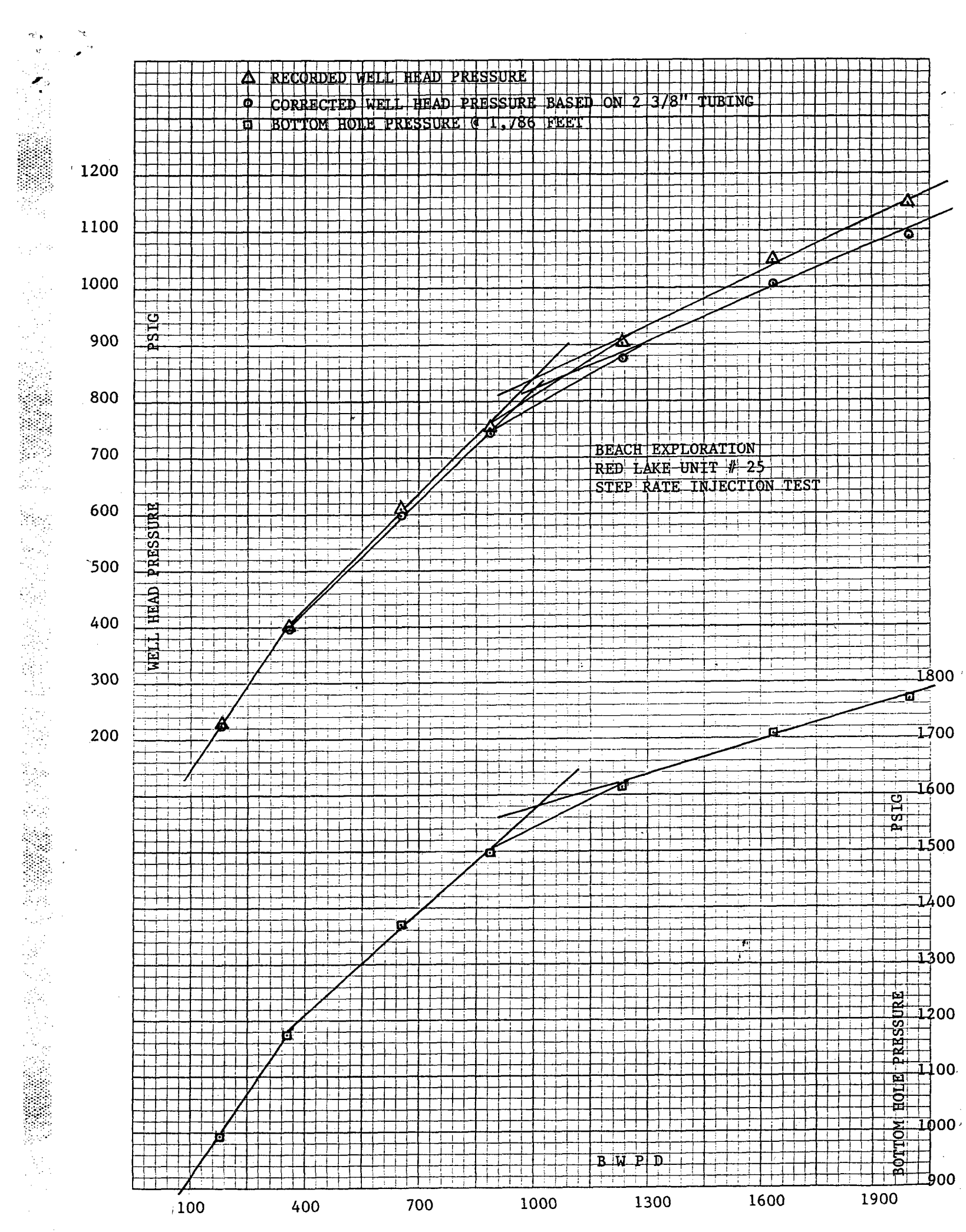
Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
PERFS. @ 1618 and 1672		FEET	PKR @ 1572 FEET					
SET @ 1645 FEET		PDTD 1718 FEET				---	---	
	7:55	345		0	1030			
	8:00	448.30	172.80	.6	1162.50			
	8:05	524.90	144.00	1.1	1226.80			
1	8:10	563.20	172.80	1.7	1266.30	562.7	4.76	.496
			163.20					
	8:15	629.60	288.00	2.7	1341.10			
	8:20	674.30	288.00	3.7	1384.00			
2	8:25	715.20	316.80	4.8	1419.00	713.7	8.68	1.508
			297.60					
	8:30	762.40	489.60	6.5	1476.60			
NO METER READING	8:35		489.60	8.2				
3	8:40	803.2	518.40	10.0	1538	799.3	14.56	3.925
			499.20					
	8:45	894.00	691.20	12.40	1580			
	8:50	914.00	720.00	14.90	1606			
4	8:55	929.50	691.20	17.30	1627	922.15	20.44	7.351
			700.80					
	9:00	971.60	892.80	20.40	1659.30			
	9:05	987.00	921.60	23.60	1680.00			
5	9:10	1017.50	921.60	26.80	1698.10	1005.6	26.60	11.968
			912.00					
	9:15	1048	1267.20	31.20	1732.00			
	9:20	1086.40	1296.00	35.70	1751.00			
6	9:25	1099.10	1267.20	40.10	1766.00	1076.8	37.24	22.302
			1276.80					
	9:30	1154.00	1641.60	45.8	1791.60			
	9:35	1154.00	1612.80	51.4	1805.70			
7	9:40	1177.40	1612.80	57.0	1818.00	1142.7	47.32	34.738
			1622.40					
	9:45	1232.00	2044.80	64.10	1838.20			
	9:50	1242.70	2016.00	71.10	1847.60			
8	9:55	1245.00	2044.80	79.20	1854.00	1192.2	59.36	52.837
			2035.20					

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 22 Date 7-31-91

CO. Name BEACH EXPLORATION PAGE 2

Remarks	Time	Tbg. Press.	Rate BPD	Total	B H P	Tbg. Press.	Rate GPM	HEAD LOSS
FALL OFF								
	9:56	1118			1833.50			
	9:57	1111.30			1828.40			
	9:58	1106.10			1823.30			
	9:59	1102.20			1820.00			
	10:00	1099			1816.60			
5 MINUTES	10:05	1085.00			1804.00			
5 MINUTES	10:10	1075.80			1794.20			


RECORDED WELL HEAD PRESSURE
CORRECTED WELL HEAD PRESSURE BASED ON 2 3/8" TUBING
BOTTOM HOLE PRESSURE @ 1,786 FEET
WELL HEAD PRESSURE PSIG
BOTTOM HOLE PRESSURE PSIG
BEACH EXPLORATION
RED LAKE UNIT # 25
STEP RATE INJECTION TEST
B W P D
1200
1100
1000
900
800
700
600
500
400
300
200
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
100
400
700
1000
1300
1600
1900

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 25 Date 7-31-91

CO. Name BEACH EXPLORATION PAGE 1

Remarks	Time	Tbg. Press.	Rate BPD	Total	BHP	Tbg. Press.	Rate GPM	HEAD LOSS
PERFS @ 1762 and 1809 Feet								
SET @ 1786 FEET								
	12:15	22.10		0	797.10			
	12:20	131.30	201.60	.7	905.50			
	12:25	187.20	172.80	1.3	957.40			
1	12:30	224.10	172.80	1.9	995.30	223.44	5.32	.662
			182.40					
	12:35	318.70	345.60	3.1	1082.50			
	12:40	367.00	374.40	4.4	1134.30			
2	12:45	401.40	345.60	5.6	1174.10	399.1	10.36	2.271
			355.20					
	12:50	522.60	662.40	7.9	1275.50			
	12:55	578.60	662.40	10.2	1332.70			
3	1:00	605.20	633.60	12.4	1369.20	598.2	19.04	7.000
			652.80					
	1:05	698.40	892.80	15.50	1432.00			
	1:10	727.50	664.00	18.50	1469.50			
4	1:15	754.30	892.80	21.60	1498.00	742.1	25.76	12.244
			883.20					
	1:20	864.30	1209.60	25.8	1557.30			
	1:25	873.20	1238.40	30.10	1589.20			
5	1:30	901.10	1267.20	34.50	1615.10	878.2	36.12	22.883
			1238.40					
	1:35	999.40	1612.80	40.10	1663.40			
	1:40	1017.30	1641.60	45.80	1687.70			
6	1:45	1044.30	1641.60	51.50	1707.50	1006.2	47.60	38.129
			1632.00					
	1:50	1116.10	1987.20	58.40	1741.00			
	1:55	1127.70	1987.20	65.30	1758.10			
7	2:00	1142.00	2016.00	72.30	1770.30	1086.6	58.25	55.389
			1997.00					
FALL OFF								
	2:01	966.6			1734			
	2:02	954.00			1723			
	2:03	945.00			1715			
	2:04	938.60			1709			
	2:05	932.20			1703			

JOHN WEST ENGINEERING CO.
Step Rate Injection Test

Well Name RED LAKE UNIT # 25 Date 7-31-91
CO. Name BEACH EXPLORATION PAGE 2

Remarks	Time	Tbg. Press.	Rate BPD	Total	B H P	Tbg. Press.	Rate GPM	HEAD LOSS
5 MINUTES	2:10	908.00			1675.00			
5 MINUTES	2:15.	890.10			1662.00			

30740

Exhibit "A"
Division Order No. R-11674
West High Lonesome Unit Waterflood Project
Approved Injection Wells

Well Name & Number	API Number	Well Location	Injection Interval	Packer Depth
Exxon Federal "A" No. 1	30-015-25983	2310' FNL & 330' FEL, Unit H, Section 18, T-16S, R-29E	1,714'-1,728'	1,664'
Exxon Federal "A" No. 2	30-015-26035	2310' FNL & 1650' FEL, Unit G, Section 18, T-16S, R-29E	1,702'-1,722'	1,652'
Exxon Federal "A" No. 3	30-015-26123	2410' FNL & 1932' FWL, Unit F, Section 18, T-16S, R-29E	1,645'-1,655'	1,595'
Exxon Federal No. 1	30-015-24345	660' FSL & 660' FEL, Unit P, Section 18, T-16S, R-29E	1,722'-1,756'	1,672'
Exxon Federal No. 2	30-015-25375	330' FSL & 1650' FEL, Unit O, Section 18, T-16S, R-29E	1,713'-1,750'	1,663'
Exxon Federal No. 6	30-015-25672	560' FSL & 2035' FWL, Unit N, Section 18, T-16S, R-29E	1,708'-1,727'	1,658'
Rosewood State "18" No. 1	30-015-25733	1650' FSL & 330' FWL, Unit L, Section 18, T-16S, R-29E	1,576'-1,596'	1,526'
Shiloh Federal No. 3	30-015-25527	2310' FNL & 988' FWL, Unit E, Section 17, T-16S, R-29E	1,730'-1,758'	1,680'
Shiloh Federal No. 4	30-015-25606	2210' FNL & 1650' FWL, Unit F, Section 17, T-16S, R-29E	1,752'-1,764'	1,702'
Iles Federal No. 2	30-015-02752	1650' FSL & 2310' FWL, Unit K, Section 17, T-16S, R-29E	1,700'-1,812'	1,650'
Iles Federal No. 3	30-015-02759	330' FNL & 2310' FWL, Unit C, Section 20, T-16S, R-29E	1,590'-1,820'	1,580'
Iles Federal No. 4	30-015-01438	1650' FSL & 2310' FEL, Unit J, Section 17, T-16S, R-29E	1,740'-1,800'	1,717'
Iles Federal No. 8	30-015-25788	2310' FSL & 1950' FWL, Unit K, Section 17, T-16S, R-29E	1,740'-1,764'	1,690'
Renee Federal No. 1	30-015-25363	660' FSL & 330' FWL, Unit M, Section 17, T-16S, R-29E	1,729'-1,750'	1,679'
Renee Federal No. 3	30-015-25495	1650' FNL & 330' FWL, Unit E, Section 20, T-16S, R-29E	1,774'-1,793'	1,724'
Federal "19" No. 1	30-015-25392	660' FNL & 660' FEL, Unit A, Section 19, T-16S, R-29E	1,746'-1,772'	1,696'
Big Mac Federal No. 1	30-015-02758	660' FNL & 3300' FEL, Unit C, Section 19, T-16S, R-29E	1,683'-1,699'	1,633'
Coastal Federal No. 1	30-015-25304	1980' FNL & 1980' FEL, Unit G, Section 19, T-16S, R-29E	1,747'-1,797'	1,697'

WHL #15		WHL #17		WHL #21		WHL #23		WHL #25		WHL #27	
Exxon Fed #2		Renee Fed #1		Federal 19 #1		Iles Fed #3		Coastal Fed #1		Renee Fed #3	
25375		25363		25392		2759		25304		25495	
BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi
0	225	0	50	0	0	0	425	0	375	0	0
2,990	250	3,879	300	4,332	100	513	475	1,447	350	5,186	0
6,577	350	4,972	350	4,225	325	0	SI	842	350	6,104	225
2,521	275	4,711	300	2,691	200	0	SI	727	250	5,910	100
544	275	3,305	300	4,069	200	0	SI	1	SI	3,921	125
187	275	2,726	300	3,372	250	0	SI	2	SI	3,779	175

	WEST HIGH LONESOME ACTUAL UNIT AND ALLOCATED WELL INJECTION (Monthly)													
			WHL #1		WHL #3		WHL #5		WHL #7		WHL #13	WHL #14		
			Exxon Fed A #1		Exxon Fed A #3		Shiloh Fed #4		Rosewood St 18 #1		Iles Fed #4	Exxon Fed #6		
			25983		26123		25606		25733		1438	25672		
DATE			BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi
Aug-02			0	225	0	0	0	0	0	0	0	425	0	0
Sep-02			2,864	300	4,932	0	4,626	250	5,352	100	155	550	4,779	125
Oct-02			1,781	350	5,459	250	3,607	300	4,812	350	0	SI	4,960	350
Nov-02			1,403	300	5,377	225	2,315	225	4,044	225	0	SI	4,450	150
Dec-02			5	SI	4,757	150	2,790	250	3,144	250	0	SI	3,509	225
Jan-03			12	SI	4,080	150	2,284	275	2,767	250	0	SI	3,176	250

	WEST HIGH LONESOME ACTUAL UNIT AND ALLOCATED WELL INJECTION (Monthly)													
			WHL #1		WHL #3		WHL #5		WHL #7		WHL #13		WHL #14	
			Exxon Fed A #1		Exxon Fed A #3		Shiloh Fed #4		Rosewood St 18 #1		Iles Fed #4		Exxon Fed #6	
DATE			BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi
			25983		26123		25606		25733		1438		25672	
Aug-02			0	225	0	0	0	0	0	0	0	425	0	0
Sep-02			2,864	300	4,932	0	4,626	250	5,352	100	155	550	4,779	125
Oct-02			1,781	350	5,459	250	3,607	300	4,812	350	0	SI	4,960	350
Nov-02			1,403	300	5,377	225	2,315	225	4,044	225	0	SI	4,450	150
Dec-02			5	SI	4,757	150	2,790	250	3,144	250	0	SI	3,509	225
Jan-03			12	SI	4,080	150	2,284	275	2,767	250	0	SI	3,176	250
Feb-03			1753	950	5041	650	3589	850	4433	650	0	SI	5747	900

WHL #15		WHL #17		WHL #21		WHL #23		WHL #25		WHL #27	
Exxon Fed #2		Renee Fed #1		Federal 19 #1		Iles Fed #3		Coastal Fed #1		Renee Fed #3	
BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi	BWInj	Psi
25375		25363		25392		2759		25304		25495	
0	225	0	50	0	0	0	425	0	375	0	0
2,990	250	3,879	300	4,332	100	513	475	1,447	350	5,186	0
6,577	350	4,972	350	4,225	325	0	SI	842	350	6,104	225
2,521	275	4,711	300	2,691	200	0	SI	727	250	5,910	100
544	275	3,305	300	4,069	200	0	SI	1	SI	3,921	125
187	275	2,726	300	3,372	250	0	SI	2	SI	3,779	175
4835	950	5608	900	4104	825	0	SI	2198	1000	5793	550

JAMES BRUCE
ATTORNEY AT LAW

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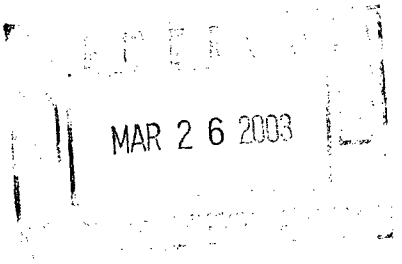
jamesbruc@aol.com



Dave -

Enclosed is the list you requested

Jim

Beach Exploration, Inc.

West High Lonesome Penrose Sand Unit

Eddy County, New Mexico

List of Wells for Requested 1,100 psi Surface Injection Pressure
from
Division Order No. R-11674
OCD Approved Injection Wells

	UNIT DESIGNATION	ORIGINAL NAME	API	FOOTAGE	SEC-UNIT	TWP	RNG	INJ INTERVAL
	WHLPSU # 1	Exxon Federal "A" #3	3001526123	2,410 FNL 1,932 FWL	18-F	16S	29E	1645' - 1655'
*	WHLPSU # 2	Exxon Federal "A" #2	3001526035	2,310 FNL 1,650 FEL	18-G	16S	29E	1702' - 1722'
	WHLPSU # 3	Exxon Federal "A" #1	3001525983	2,310 FNL 330 FEL	18-H	16S	29E	1714' - 1728'
*	WHLPSU # 4	Shiloh Federal #3	3001525527	2,310 FNL 988 FWL	17-E	16S	29E	1730' - 1758'
	WHLPSU # 5	Shiloh Federal #4	3001525606	2,210 FNL 1,650 FWL	17-F	16S	29E	1752' - 1764'
*	WHLPSU # 6	Iles Federal #8	3001525788	2,310 FSL 1,950 FWL	17-K	16S	29E	1740' - 1764'
	WHLPSU # 7	Rosewood State "18" #1	3001525733	1,650 FSL 330 FWL	18-L	16S	29E	1576' - 1596'
*	WHLPSU #12	Iles Federal #2	3001502752	1,650 FSL 2,310 FWL	17-K	16S	29E	1700' - 1812'
	WHLPSU #13	Iles Federal #4	3001501438	1,650 FSL 2,310 FEL	17-J	16S	29E	1740' - 1800'
	WHLPSU #14	Exxon Federal #6	3001525672	560 FSL 2,035 FWL	18-N	16S	29E	1708' - 1727'
	WHLPSU #15	Exxon Federal #2	3001525375	330 FSL 1,650 FEL	18-O	16S	29E	1713' - 1750'
*	WHLPSU #16	Exxon Federal #1	3001524345	660 FSL 660 FEL	18-P	16S	29E	1722' - 1756'
	WHLPSU #17	Renee Federal #1	3001525363	660 FSL 330 FWL	17-M	16S	29E	1729' - 1750'
**	WHLPSU #19	Big Mac Federal #1	3001502758	660 FNL 3,300 FEL	19-C	16S	29E	1683' - 1699'
	WHLPSU #21	Federal "19" #1	3001525392	660 FNL 660 FEL	19-A	16S	29E	1746' - 1772'
	WHLPSU #23	Iles Federal #3	3001502759	330 FNL 2,310 FWL	20-C	16S	29E	1590' - 1820'
	WHLPSU #25	Coastal Federal #1	3001525304	1,980 FNL 1,980 FEL	19-G	16S	29E	1747' - 1797'
	WHLPSU #27	Renee Federal #3	3001525495	1,650 FNL 330 FWL	20-E	16S	29E	1774' - 1793'

* Wells currently producing that will be converted to injection in Phase II

** Well is producing with OCD approval after many attempts at squeezing a shallow casing leak. Injection will only be initiated upon repair and or OCD approval.

Well Selection Criteria Quick Print

(Field_No = 1923 and WELL_TYP Like 'I')

API Well #	Well Name and No.		Operator Name	Typ	Stat	County	Surf	UL	Sec	Twp	Rng	Ft N/S	Ft E/W	UICPrmt
30-015-25681-00-00	RED LAKE UNIT	002	BEACH EXPLORATION INC	I	A	Eddy	S	O	24	16 S	28 E	660 S	1980 E	R-9453
30-015-24130-00-00	RED LAKE UNIT	005	BEACH EXPLORATION INC	I	A	Eddy	F	A	25	16 S	28 E	860 N	660 E	R-9453
30-015-23936-00-00	RED LAKE UNIT	007	BEACH EXPLORATION INC	I	A	Eddy	F	G	25	16 S	28 E	2310 N	1980 E	R-9453
30-015-25557-00-00	RED LAKE UNIT	009	BEACH EXPLORATION INC	I	A	Eddy	F	2	30	16 S	29 E	2310 N	330 W	R-9453
30-015-23406-00-00	RED LAKE UNIT	010	BEACH EXPLORATION INC	I	A	Eddy	S	K	25	16 S	28 E	2310 S	2287 W	R-9453
30-015-24016-00-00	RED LAKE UNIT	012	BEACH EXPLORATION INC	I	A	Eddy	F	I	25	16 S	28 E	1650 S	990 E	R-9453
30-015-23293-00-00	RED LAKE UNIT	014	BEACH EXPLORATION INC	I	A	Eddy	P	M	25	16 S	28 E	660 S	990 W	R-9453
30-015-23122-00-00	RED LAKE UNIT	016	BEACH EXPLORATION INC	I	A	Eddy	F	O	25	16 S	28 E	660 S	1880 E	R-9453
30-015-23148-00-00	RED LAKE UNIT	019	BEACH EXPLORATION INC	I	A	Eddy	S	C	36	16 S	28 E	660 N	1980 W	R-9453
30-015-23659-00-00	RED LAKE UNIT	021	BEACH EXPLORATION INC	I	A	Eddy	S	A	36	16 S	28 E	330 N	981 E	R-9453
30-015-01286-00-00	RED LAKE UNIT	022	BEACH EXPLORATION INC	I	A	Eddy	S	E	36	16 S	28 E	1980 N	990 W	R-9453
30-015-23658-00-00	RED LAKE UNIT	024	BEACH EXPLORATION INC	I	T	Eddy	S	G	36	16 S	28 E	1986 N	1983 E	R-9453
30-015-23861-00-00	RED LAKE UNIT	025	BEACH EXPLORATION INC	I	A	Eddy	S	J	36	16 S	28 E	2310 N	2310 E	R-9453

DATE 2/4/03	SUSPENSE NA	ENGINEER DRC	LOGGED IN KV	TYPE IPI	APP # pKRV0306434432

ABOVE THIS LINE FOR DIVISION USE ONLY

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]

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

MAR - 4 2003

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

RECEIVED
MAR . 4 2003
Oil Conservation Division

[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.

James Bruce		Attorney for Applicant	3/3/03
Print or Type Name	Signature	Title	Date

jamesbruc@aol.com
e-mail Address

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ATTORNEY AT LAW

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jamesbruc@aol.com

June 8, 2003

David Catanach
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Beach Exploration Inc./Pressure increase application

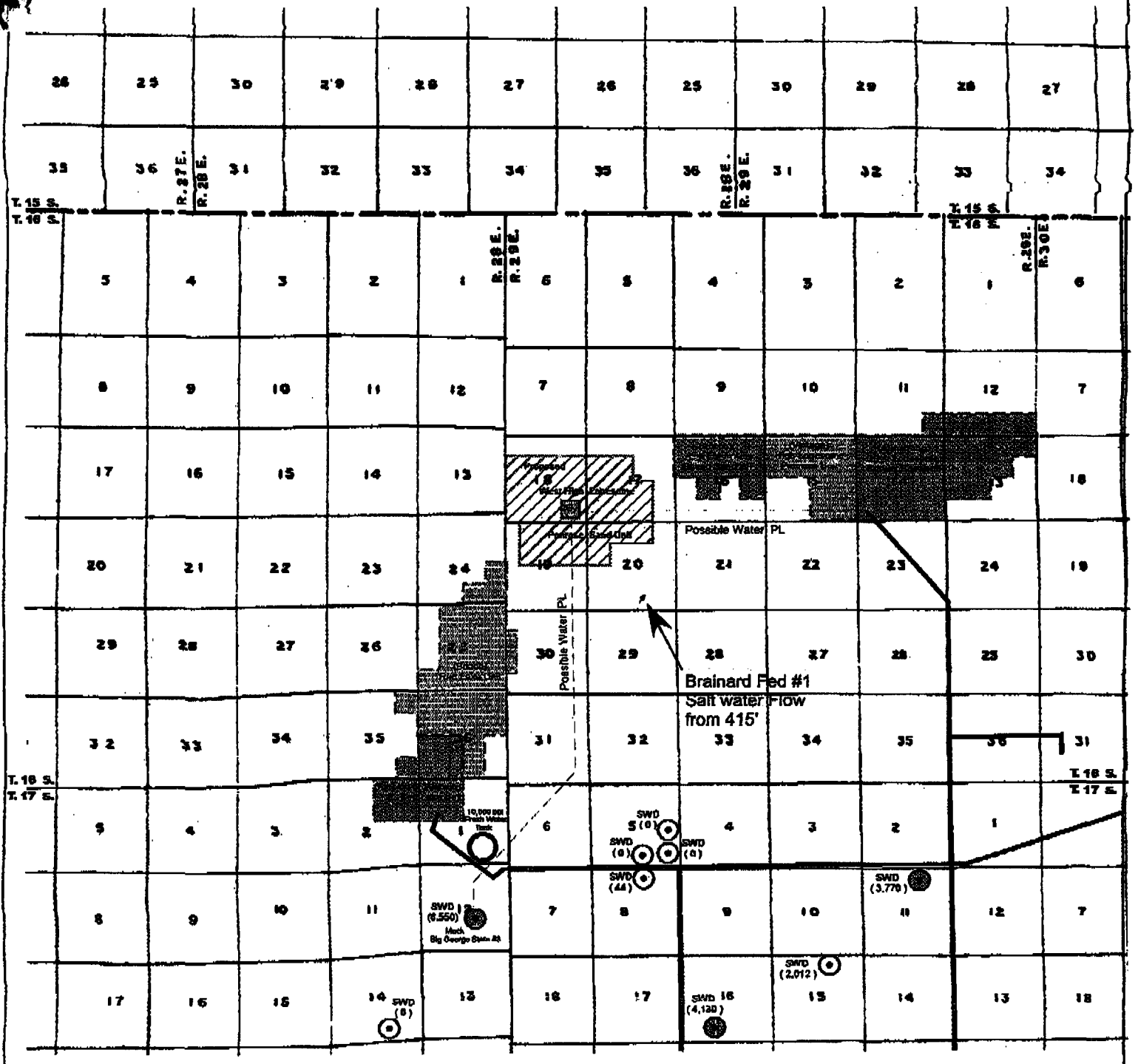
Dear Dave:

I asked Beach about the waterflow that Tim Gum mentioned to you. Enclosed are plats of where it occurred, a wellbore sketch, and copies of the documents submitted to the BLM and Division. It happened while the well was being P&A'd.

Very truly yours,

James Bruce

Attorney for Beach Exploration, Inc.



SWD (bwpd) — Disposal Well > 3600 bwpd

SWD (bwpd) — Disposal Well < 3600 bwpd

City of Carlsbad Fresh Water Pipeline

Possible PL route for makeup water

Proposed Unit Outline

Beach Exploration, Inc.

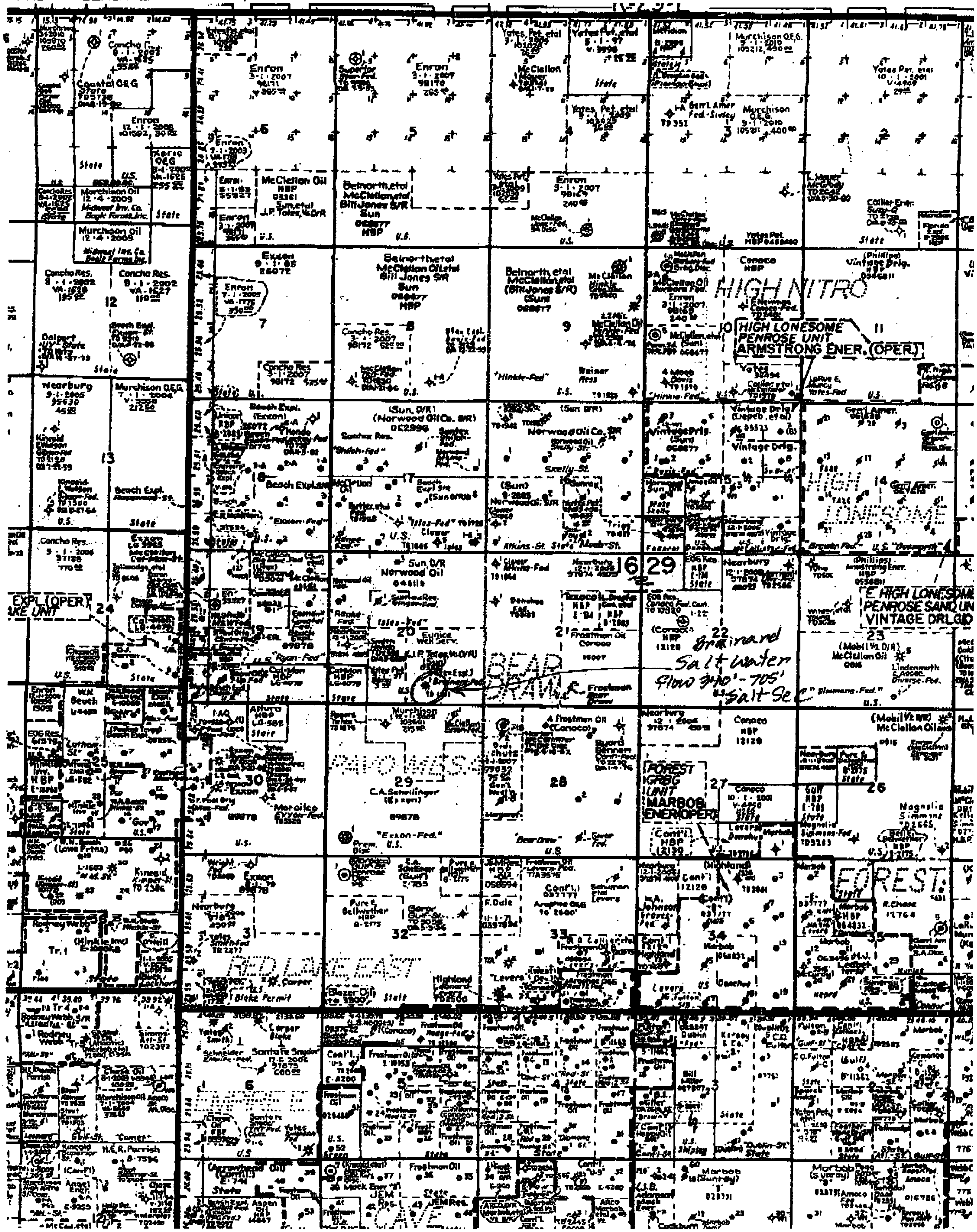
WEST HIGH LONESOME PENROSE SAND UNIT

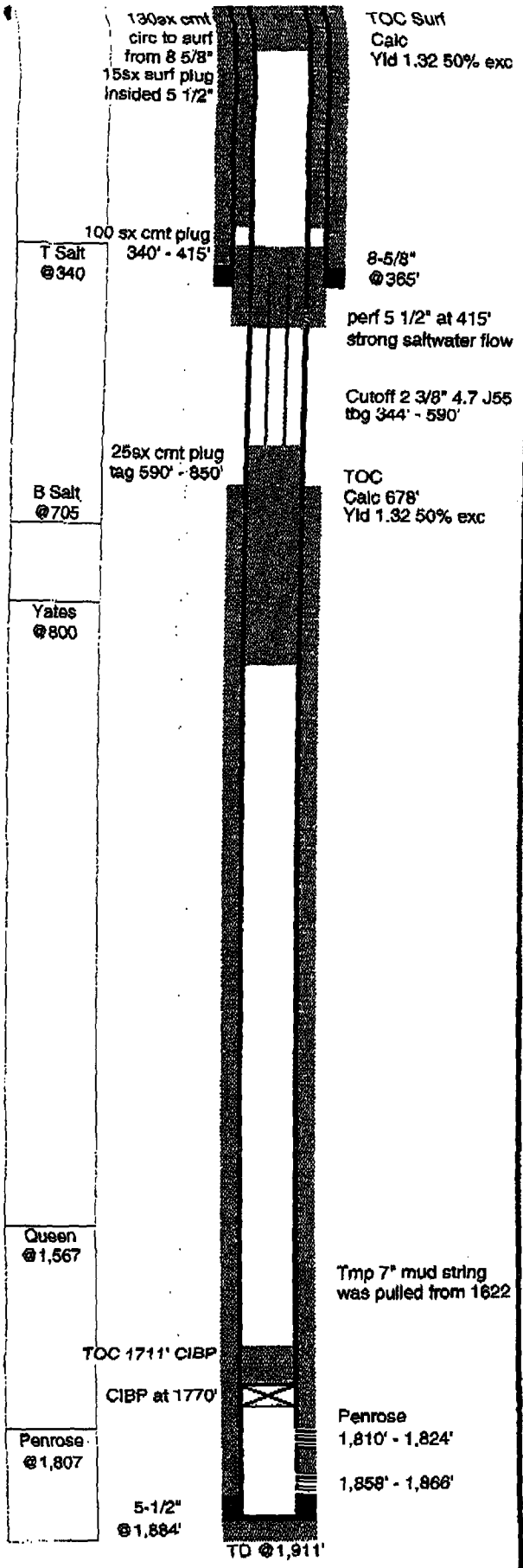
Area Makeup Water Source Map

SCALE : 1"=8000'

JMR

April 2001


HIGH NITRO
HIGH LONESOME
PENROSE UNIT
ARMSTRONG ENER. (OPER.)
HIGH LONESOME
E HIGH LONESOME
PENROSE SAND UNIT
VINTAGE DRLG
FOREST
GRBG
UNIT
MARBOB
ENER(OPER)
FOREST
BEAR DRAW
Brainard
Salt Water
flow 340'-705'
Salt Sec
RED LAKE EAST
Enron
Murchison Oil
McClellan Oil
Conoco
Nearburg
Exxon
Yates Pet. et al
State
U.S.



Brainard Federal #1

GL:	3,616			**Status:**	P&A
KB:	3,617			**Perfs:**	1,810' - 1,866'
TD:	1,911				
PBD:	1,884			**API:**	30-015-02761
Fr. Wtr:					
Legal:	1,980	from	E	**NM Lse:**	
	660	from	S	**Field:**	High Lonesome (Penrose)
Section:	20-O				
Township:	16S			**Logs:**	
Range:	29E				
County:	Eddy			**Archeological:**	

Casing	Wt	Type	Set	Cmt	Hole	TOC	Method
8-5/8"	28.00	H40 S.H.	365	75	10"	Surf	Calc yld 1.32
7"			1,622	NONE	8"	Tmp Mud String Pulled	
5-1/2"	14.00	J55	1,884	225	6 1/2"	640	Calc yld 1.32 50% excess

14-May-56 Spud well
Utex Exploration Co. - Brainard Federal #1

Penrose Completion

14-Jan-57 Perf: 1810 - 1824 (36 holes) and 1858 - 1866 (32 holes)
Sand Oil fraced w/8Mgal lse crude and 15.5M# sand

21-Oct-60 Subsequent test: CAOF 590 MCFPD, last rate 520 MCFPD 24/64' chk 126 psi FT

15-Feb-02 POOH w/tbg, made bit and scraper run to perfs (moved tbg to RLU #17)

22-Feb-02 Capitan WL set CIBP at 1770' w/35' cmt on top

6/24/02 **Brainard Federal #1 Plugging**
RIH tagged cmt on top of CIBP at 1711'. Loaded hole w/10# MLF
Spotted 25sx cmt plug at 850' inside 5 1/2" csg
Perforated 5 1/2" csg at 415' to pump 8 5/8" shoe plug and got strong salt water flow. Stripped old wellhead threads off and BOP leaned over. Chained BOP down and RIH and tagged cmt plug at 590'. Flow coming from salt section between 705' and 340'. Put pkr on top of string and set at surface to control well. Welded BOP flange and wellhead. Checked - no flow out 8 5/8" csg. ?? Plugged with salt. Cut tbg at 313'. Pumped 100sx cmt plug at 313' displaced to 340' and help 150 psi on tbg. Plug held. No flow from 5 1/2" or 8 5/8" csg. RIH perf 5 1/2" csg at 309' to circ cmt up 8 5/8". 8 5/8" csg still plugged up at 309'. Could not circulate. Pumped 80sx cmt plug down 5 1/2" x 8 5/8" csg annulus. Plug circulated out of ground but did not hold. Mixed 50 BW with 25sx LCM and pumped followed by 50sx cmt. Circ 8sx cmt out of ground and plug held. Pumped 15sx surface plug inside 5 1/2" csg and topped of 8 5/8" csg. Installed dry hole marker. BLM (Gene Hunt was on loc and approved all prodedures and final plugs)

TUBING STRING

# OF JTS	DESCRIPTION	LENGTH	FROM	TO
	Distance from KB to top of pipe	1.00	0.00	1.00

ROD STRING

# OF JTS	SIZE	TYPE OF RODS	LENGTH

JMR

8/6/2002

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

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

SUBMIT IN TRIPLICATE - Other instructions on reverse side

5. Lease Serial No.: NMNM03361
6. If Indian, Allottee or Tribe Name:
7. If Unit or CA/Agreement, Name and/or No.:
1. Type of Well: ☐ Oil Well ☐ Gas Well ☐ Other
8. Well Name and No.: Brainard Federal #1 (WHLU #21)
2. Name of Operator: Beach Exploration, Inc.
9. API Well No.: 30-015-02761
3a. Address: 800 N. Marienfeld Ste. 200, Midland, TX 79701
3b. Phone No. (include area code): 915/683-6226
10. Field and Pool, or Exploratory Area: High Lonesome Queen
4. Location of Well (Footage, Sec., T., R., M., or Survey Description): 1980' FEL & 660' FSL, SEC 20, T16S, R29E, Unit O, SE/4
11. County or Parish, State: Eddy Co., NM

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

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

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

6/24 1. NBLM Jim Amos
2. RIH, Tag TOC @ 1711'
3. Mix mud, circulated hole w 10# MLF
4. Mixed & spooted 25 sx @ 800'-560' as per BLM/Gene Hunt

6/25 5. Perforated @ 425' 10.4#, Water flowing up 5 1/2" csg
6. Set packer @surface & 2 3/8" tbg tail pipe @ 313', pumped 100 sx cement down tbg @ 2bbl/min @ 200psi; displaced TOC to 340' SIP @150psi.

6/28 7. Opened well, no water flow; RIH, tagged up @ 313'
8. Pumped 25 sx Multi-Seal, LCM down 5 1/2" x 8 5/8" annulus as per BLM/Gene Hunt; wait 2 hrs.
9. RIH, perforated @309', spot 25 sx cement @309', pressured up on 5 1/2" csg to 2000psi; reverse out of 5 1/2" csg from 279'.
10. Pumped 100 sx down 5 1/2" csg x 8 5/8" annulus.

7/01 11. Pump 25 sx Multi Seal LCM down 5 1/2" x 8 5/8"
12. Pump 50 sx cement w/2% CaCl down 5 1/2" x 8 5/8" w/cement, circulated to surface.
13. Cut wellhead 3", displaced TOC in annulus @ 5", filled 5 1/2" x8 5/8" w/2 sx cement, circulated 15 sx 60' surface in 5 1/2" csg.
14. Installed dry hole marker, cleaned location.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed): Lizbeth Lodle
Title: Production
Signature: Lizbeth Lodle
Date: August 6, 2002

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

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

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

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

State of New Mexico
Energy Minerals and Natural Resources

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

Form C-141
Revised March 17, 1999

Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form

Release Notification and Corrective Action

OPERATOR

x Initial Report ☐ Final Report

Name of Company Beach Exploration, Inc.	Contact☐ Jack Rose
Address 800 N. Marienfeld, Ste 200, Midland, TX 79701	Telephone No.☐ 915-683-6226
Facility Name Brainard Federal #1	Facility Type☐ Inactive Gas Well

Surface Owner Federal	Mineral Owner Federal	Lease No.☐NMNM03361

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
O	20	16S	29E	660	South	1980	East	Eddy Co., NM

NATURE OF RELEASE

Type of Release Salt Water & Oil	Volume of Release 10 BO est, 1500-2400 BW	Volume Recovered☐ 1600 BW est.
Source of Release Gas Well	Date and Hour of Occurrence 9:30am, June 25, 2002	Date and Hour of Discovery Same
Was Immediate Notice Given? BLM Notified x Yes ☐ No ☐ Not Required	If YES, To Whom? Jim Amos – BLM, Carlsbad	
By Whom? Jack Rose	Date and Hour☐ 1:00pm June 25, 2002	
Was a Watercourse Reached? x Yes ☐ No	If YES, Volume Impacting the Watercourse. 1000-1200 BW	

If a Watercourse was Impacted, Describe Fully.*Grassy dry playa approximately 750' wide East /West and 1650' long, North/South. A buried pipeline crosses the playa, Northeast/Southwest. Electric poles also exist in the playa. North edge of grassy portion of playa is approximately 600' Southwest of the Brainard Fed #1 wellbore

Describe Cause of Problem and Remedial Action Taken.*Plugging well, perf 5 ½" csg at 415' to pump a cmt plug across 8 5/8" surf csg. at 365'. Encountered 500-800 BW/hr saltwater flow. Force of flow stripped BOP flange off wellhead (threads were old & worn) and couldn't control well. Salt water flow escaped location, flowed down a road and flowed into the edge of a playa at three locations from the road; mesquite and grass killed. Initially attempted to dam edge of road (unsuccessful). Dug 2 additional containment pits and bulldozed a berm across location to contain water; vacuumed continuously with three vacuum trucks; chain BOP down, got packer in hole and shut off flow.

Describe Area Affected and Cleanup Action Taken.*Grassy portion of playa is approximately 23 acres. Grassy area effected by spill is approximately ½ acre or 2.5% of the playa. The effected area is dead grass. 1/3 of effected area has oil stain on grass. An additional ½ acre of mesquite vegetated playa slope has been affected. Soil samples are scheduled to be taken to discuss cleanup with BLM.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature:	OIL CONSERVATION DIVISION
Printed Name: Lizbeth Lodle	Approved by☐District Supervisor:
Title: Engineer Analyst	Approval Date: / Expiration Date:
Date: July 5, 2002 Phone: 915-683-6226	Conditions of Approval: / Attached ☐

* Attach Additional Sheets If Necessary