

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD Hobbs  
HOBBS OGD

FORM APPROVED  
OMB No. 1004-0137  
Expires: October 31, 2014

**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**

NOV 19 2012

RECEIVED

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☐ Oil Well ☐ Gas Well ☒ Other

2. Name of Operator  
RMR Operating, LLC

3a. Address  
2515 McKinney Avenue Suite 900  
Dallas, Texas 75201

3b. Phone No. (include area code)  
214-871-0400

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
1980' FSL & 1980' FEL, Unit J, 25, T-26S, R-34E N.M.P.M.

5. Lease Serial No.  
NM 65441

6. If Indian, Allottee or Tribe Name

7. If Unit of CA/Agreement, Name and/or No.

8. Well Name and No.  
Madera 25 Federal #1

9. API Well No.  
30-025-29808

10. Field and Pool or Exploratory Area  
SWD; Cherry Canyon (97003)

11. County or Parish, State  
Lea County, New Mexico

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other SWD
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input checked="" type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> 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 recompleat 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 must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

RMR proposes to conver the current wellbore to an SWD well.

This well is no longer economical in its current state, as detailed in the attached information.

We propose to set 5: EZSV @ 13,500' and squeeze 50 sx cmt below EZSV and cap with 50' cmt.

Spot class H cement plug 12,600'-12,290' to plug off wolfcamp top & 5" liner top.

Spot 10# salt gel & spot class H cement plug across Bone Springs top 9,525' to 9,325'.

We then propose to perforate Cherry Canyon as indicated in the attached procedure, and swab test to define that it is not capable of production.

See attachments to Sundry  
Included is the Madera 25 #1 Economic Evaluation.

SWD-1366  
SUBJECT TO LIKE  
APPROVAL BY STATE

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

WITNESS  
PLUG BACK

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)  
Tommy W. Folsom

Title Executive Vice President and Director of Exploration & Production

Signature

Date 10/31/2012

APPROVED

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Office

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.

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.

(Instructions on page 2)

NOV 15 2012

WESLEY W. INGRAM  
PETROLEUM ENGINEER

5  
Chm

RMR OPERATING, LLC.  
MADERA 25 FEDERAL #1  
Unit J, Section 25, T-26S, R-34E  
1980' FSL and 1980' FEL  
Lea County, New Mexico  
API 30-025-29808  
October 12, 2012

WORKOVER PROCEDURE TO SWD

**CASING:**

20"	163,133,106#	K-55 & N-80	@ 1,044'	Cmt Cir to surface
13 3/8"	72,68#	S-95, N-80 & K-55	@ 5,260'	Cmt Cir to surface
9 3/4" & 9 7/8"	62.8 & 59.2#	S-105, & S-95	@ 13,463'	Cmt Cir to surface

Additional casing is in this well but will not be relative to this workover see attached well bore schematic.

2 3/8" DSS-HT Tbg 5.95# N-80 406 Jts

Perma Packer set at 13,524' with 7Jts 2 3/8" tbg below packer

**Logs:** Borehole Compensated Sonic Log: 2/6/87, 3/24/87, 4/29/87

GL: 3198 KB: 3229 Correction: 31'

**DISCUSSION:**

The Madera 25 Federal #1 is an excellent candidate for an SWD well in this area. The well is at its economic limit in the current producing interval. We have reviewed the well geologically and have defined no additional reservoirs for an economic re-completion. The area has potential development of the Brushy Canyon Delaware horizontal as indicated by the completion of the Madera 24 Federal #2H. The Madera 24 is averaging 195 BOPD 527 MCFD and 376 BWPD at the current time. It has produced a total of 59,873 BO, 88,827 MMCF and 108,658 BW in 270 days.

**PROCEDURE:**

1. Complete State form C-108 and all additional required paper work. File all required paper work to the NMOCD and BLM, gain approval to proceed with conversion to SWD. Adjust procedure as needed to all requirements by NMOCD and BLM.
2. Load tbg w/ produced water from Madera 24 Fed #2H. Load csg with produced water Madera 24 Fed #2H. ND tree and NU 5k hydraulic BOP, POOH with tbg. TIH w/ 5" EZSV cmt retainer and tbg and set EZSV cmt retainer at 13,500'. Establish rate and spot cmt to end of tbg, sting into retainer and squeeze 50 sxs below retainer. Pull out of retainer and spot 50' cmt on top of retainer.
  - a. NOTE: Insure TIW valve is in tbg when pulling up to sting out of pkr. Well could be out of balance and a fluid surge could occur.
3. Pull up hole to 12,600' and spot class H cmt plug 50' below Wolfcamp top to 12,290' to cover top of 5" liner. Circulate 10# from 12,290' to 7,000'.
4. Pull up hole and spot class H cmt plug from 9,525' to 9,325'. Pull out of hole and lay down all 2 3/8" tbg.
5. TIH w/ opened ended tbg and spot 10# salt Gel from 12,430' to 7000'. POOH w/ tbg lay down 5200' of tbg.
6. GIH w/ 4" csg guns at 4 SPF 120 degree phasing with premium charges, correct on depth and perforate as follows:

7,130' to 7,165'	35'	140 holes
7,030' to 7,090'	60'	240 holes
6,968' to 7,012'	44'	176 holes
6,885' to 6,936'	51'	204 holes

7. TIH w/ pkr, SN, tbq, spot 3000 gals 15% HCL from 7165' and up. POOH with 15 stands tbq and pressure csg slowly to displace all acid into reservoir.
8. Set packer and swab test reservoir to insure it is not capable of economic production. Continue procedure when results are confirmed. Pump step rate injection test, release pkr, POOH and lay down all 2 3/8" tbq.
9. Pick up 9 7/8" nickel plated AS1 packer with nickel plated down hole shut off valve. TIH w/ 2 7/8" Plastic Coated tbq and circulate or (displace if well will not circulate) required Bbls of 10# brine water w/ 2GPT corrosion inhibitor and oxygen scavenger down csg to protect backside.
10. Set the packer at 6,785'  $\pm$  and insure down hole valve is open. NDBOP and NU well head install 3000 psi full open nickel plated surface valve, all ID components of well head are to be plastic coated or nickel plated.
11. Load back side w/ 10# brine w 3 GPT corrosion treated water. Pressure to 1000 psi on csg and hold for thirty minutes on a chart recorder. RU on tbq and establish rate and conduct a chart recorded step rate test for NMOCD.

NOTE: Notify NMOCD with sufficient time to witness csg integrity test and step rate test.

#### **BATTERY CONSTRUCTION:**

Set tank containment and set 750 fiberglass gun barrel, 4 – 500 Bbl fiberglass water tanks, set 2 – 210 Bbl steel tanks (210 tanks on lease, clean out, sand blast and coat bottom and 24" up with a flack line coating. Build 3" plastic coated header, lay 4" poly line to gun barrel from header, connect water tanks to gun barrel with 8" water leg and connect gravity oil spill over to 210 Bbl oil tanks. Build a cement slab of sufficient size with a sump to accommodate triplex pump with a Waukesha gas engine. This will be turned to electricity as the infrastructure for this area is developed.

The engine will be run from propane or gas supplied from a nearby well as required. The engine either gas or electric will be started or shut off by a liquid level control switch. The pump area will have a steel building constructed over it w/ overhead garage doors on both ends and manual vents in the ceiling. A 2' earthen containment will be constructed around the entire location and fenced with a locked drive through gate.

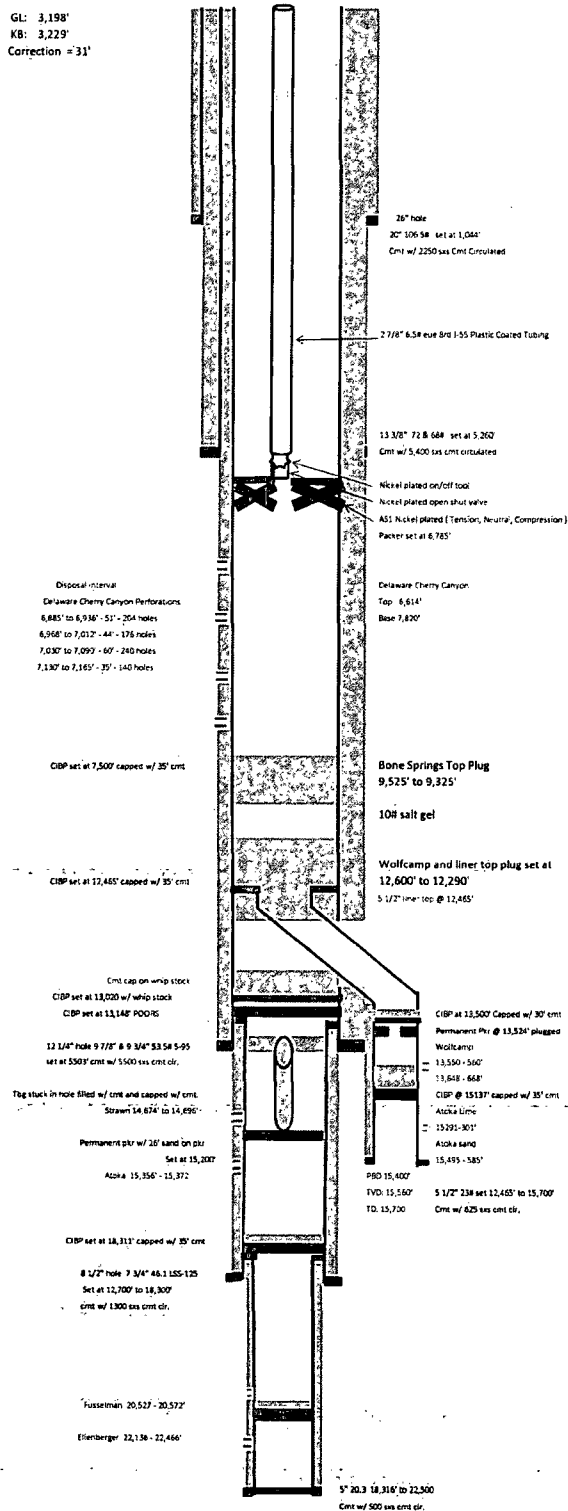
Tommy W. Folsom  
EVP & Director of E and P

MADERA 25 FEDERAL #1 SWD  
Unit J, Section 25, T-265, R-34E  
1980' FSL and 1980' FEL  
Lea County, New Mexico

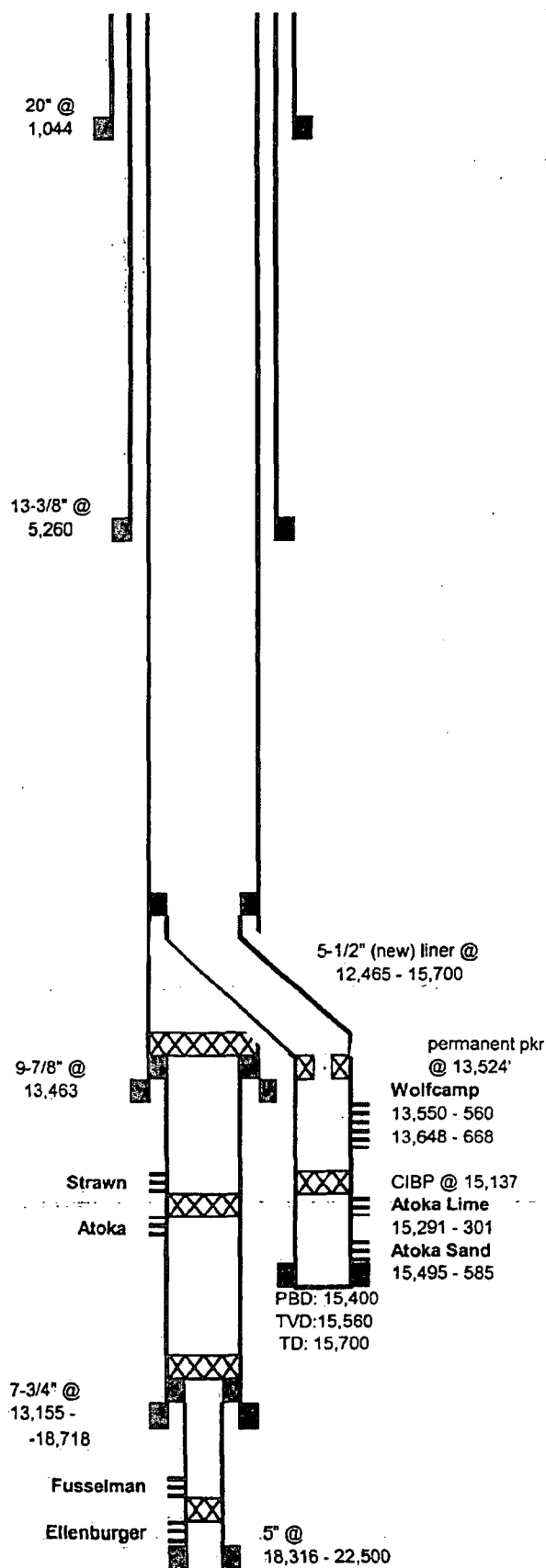
API # 30-025-29808

Well Bore Schematic

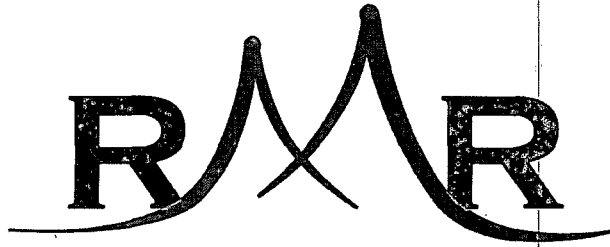
GL: 3,198'  
KB: 3,229'  
Correction = 31'



TOPS:  
Bone Springs 9,475'  
Wolfcamp 12,550'  
Atoka 15,277'



Madera Federal 25-1						
GL:	3,198	Status: Active Producer				
KB:	3,229	Zone: Wolfcamp				
	<u>Original</u>	<u>New</u>	<u>TVD</u>	Perfs: 13,550-560, and 13,648-668		
TD:	22,500	15,700	15,563			
PBD:		15,400	15,289	API: 30-025-29808		
Surface:	1,980 FSL	Lse: 013510				
	1,980 FEL	Field: Wildcat; Wolfcamp (Gas)				
Bottom:	1,741 FSL					
	1,251 FEL					
Location	26S 34E 25J					
County:	Lea, New Mexico					
Casing	Wt	Set	Cmt	Hole	TOC	Method
20"	163.00	1,044	2,250			circulated
13-3/8"	72.68	5,260	5,400			circulated
9-3/4 & 9-7/8"	63.59	13,463	5,500	12-1/4"		circulated
7-3/4"	46.10	13,155 - 18,718	850	8-3/4"		circulated
5"	20.3	18,316 - 22,500	500			circulated
5-1/2"	23	12,465 - 15,700	625			circulated
30-Dec-92	Drill and complete: Tom Brown Inc. Madera Federal "25" No. 1					
	TD @ 22,500					
	Perf: 22,136 - 22,466 (Ellenburger)					
	Treat: 24,000 gals of KCl & 60,000 gals acid & 1000 MCF N2					
	Plug: Set CIBP @ 22,014 with 35' of cement					
	Perf: 20,527 - 20,572 (Fusselman)					
	Plug: Set retainer @ 20,500 and sqz perfs with 175 sx					
	Perf: 20,418 - 20,458 (Fusselman)					
	Plug: Set CIBP @ 18,311 with 35' of cement					
	Perf: 15,355 - 15,372 (Atoka)					
	Treat: 4,000 gals gelled water & 5,000 gals N-Ver-Sperse-O					
	Tested: 592 MCFPD & 0 BOPD					
	Plug: dumped 26' of sand on permanent packer set @ 15,200					
	Perf: 14,674 - 14,696 (Strawn) Well shut in					
10-Jun-93	Dusty Mac Resources: workover: sidetrack and deviate with 700' offset to encounter Atoka Sand at a higher structure. cemented bottom of tbg and csg with 100 sx. Tag top of cmt inside tbg at 13,205'. Cut tbg at 13,165'. Set BP @ 13,148'. Couldn't shear tools. Set 2nd EP @ 13,020' with whipstock. Milled window in csg. drilled to new TD: 15,700' (TVD:15,560') PBD: 15,400' liner: 5-1/2" 23# from 12,465 - 15,700 with 625 sx of cement					
13-Sep-93	Perf: 15,495 - 502 and 15,573 - 585 (Atoka Sand)					
	Frac: 2,000 g HCl, 43,000 g 60% methanol foam, 24,000 #					
	Plug: Set blanking plug in tbg @ 15,440, Prod pkr @ 15,400'					
	Perf: 15,291 - 301 (Atoka Lime)					
	Treat: 20,000 gals 20% NEFE HCl Packer @ 15,180					
4-Feb-94	Producing from Atoka Lime 15,291 - 15,301					
20-Dec-96	Proposal to recomple in Strawn (13,940 - 950), or Wolfcamp (13,550 - 670), or Bone Springs (12,530 - 585). AFE withdrawn.					
24-Mar-97	replaced 3-1/2" & 2-7/8" tbg with 2-3/8" tbg to help unload liquids. Treat: 4,000 glas Mod 202-15% HCl and 26 tons CO2					
6-Aug-97	Transglobe Oil & Gas recompletion: Unable to pull tbg out of packer at 15,182'. Cut tbg at 15,142'. Set CIBP @ 15,137' with 35' of cmt					
	Perf: 13,550 - 560 (41 holes) Wolfcamp					
	Treat: 2,000 gals 15% HCL & 56 tons CO2 & 30 ball sealers					
12-Oct-97	Transglobe Oil & Gas workover					
	Perf: 13,643' - 13,668' @ 6 SPF Wolfcamp					
	set new permanent packer @ 13,524'					
1-Dec-98	GWDC now operating					



Madera 25 Federal #1  
Section 25, T26S, R34E  
1980' FSL & 1980' FEL  
Lea County, New Mexico  
API # 30-025-29808

The Madera "25" Federal #1's last oil sale was 173 Bbls in October 2011. After the sale, 21 Bbls of oil remained in tank. The well currently has 141 Bbls of oil in the stock tank indicating only 120 Bbls of oil have been produced in the last 12 months. The production on this well averages .32 BOPD with no gas sales. A Production Graph along with historic annual and monthly production are attached. Also included is a copy of the JIB from Great Western Drilling Company during their operatorship, along with the monthly cost incurred by RMR Operating, LLC, operating company for Blackrock Capital Inc. The overhead to this property was reduced by Great Western to \$200.00 per month from the \$650.00 per month in the governing JOA in an attempt to reduce cost to WI owners. This information supports the numbers indicated below to the non-economic status of this well at current oil prices.

$.32 \text{ BOPD} \times \$87.57/\text{Bbl} \times 30.41/\text{days} \times 12\text{Months} \times .73805907\text{NRI} = \$7,547.34 \text{ revenue}$

Annual expenses - 9 months expense =  $\$3460.90 / .41387445 = 8362.20/9 = \$929.13 \times 12 =$   
 $\$11,149.60 / \text{annual cost}$

\$ 7,547.34 annual revenue  
-\$11,149.60 annual cost  
- \$ 3,602.26 annual loss

Sincerely,

A handwritten signature in black ink, appearing to read 'Tommy W. Folsom'.

Tommy W. Folsom  
Executive Vice President and Director of Exploration & Production  
RMR Operating, LLC.

2515 MCKINNEY AVENUE, SUITE 900 · DALLAS, TX · 75201  
PH: 214.871.0400 · FX: 214-871-0406  
WWW.REDMOUNTAINRESOURCES.COM

Great Western Drilling Co.  
P O BOX 1659  
Midland, Texas 79702-1659  
(432) 682-6241

AUG 20 2012

RB 8/28/12

JOINT OWNER STATEMENT

BLACK ROCK CAPITAL INC  
2515 MCKINNEY AVE STE 900  
DALLAS TX 75201

STMT NO JIB120731  
STMT DATE 07/31/2012  
OWNER 0215694

PAGE 1

REFERENCE	DESCRIPTION	DATE	DEBIT	CREDIT	BALANCE
	BALANCE FORWARD				547.70
120503036000-77	A/R-JOINT INTEREST BILLINGS	07/23/12		334.14	
	**** BALANCE AFTER PAYMENTS ****				213.56
	**** CURRENT INVOICES ****				
120703036000-79	MADERA 25 FEDERAL #1		213.55		
	**** TOTAL CURRENT INVOICES ****				213.55
	**** TOTAL DUE ****				427.11
<hr/>					
	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS
	213.55	213.56	0.00	0.00	0.00



**JOINT OWNER INVOICE**

0215494 BLACK ROCK CAPITAL INC

INVOICE DATE 07/31/2012

Property: 03036 MADERA 25 FEDERAL #1

**State:** NM      **County:** LEA

PAGE 1

REFERENCE	VENDOR	DESCRIPTION	AFE	INTEREST	TYPE	GROSS	YOUR SHARE
<b>LEASE OPERATING EXPENSE</b>							
0712 OH	GREAT WESTERN D	PRODUCING OVERHEAD		0.41387445		200.00	82.77
07112	GREAT WESTERN D	MONTHLY CO LABOR BURDEN		0.41387445		12.77	5.29
07112	GREAT WESTERN D	MONTHLY CO LABOR-SUPERVISION		0.41387445		36.48	15.10
5741	H&L PUMPING SVE	PUMPER - CONTRACT LABOR		0.41387445		266.72	110.39
<b>TOTAL LEASE OPERATING EXPENSE</b>						<b>515.97</b>	<b>213.55</b>
<b>TOTAL BILLABLE AMOUNT</b>						<b>515.97</b>	<b>213.55</b>

LEA NM  
MADERA 25 FEDERAL 1  
GREAT WESTERN DRILLING COMPANY  
ACTIVE

## Detailed Production Report

<b>Lease Name:</b>	<b>MADERA 25 FEDERAL</b>	<b>Well Number:</b>	<b>1</b>
Lease Number:	024344	Cum Oil:	2,323
Operator Name:	GREAT WESTERN DRILLING C	Cum Gas:	2,656
State:	NEW MEXICO	Cum Water:	
County:	LEA	First Production Date:	OCT 1997
Field:	WILDCAT	Last Production Date:	MAY 2012
Sec Twn Rng:	25J 26S 34E	Spot:	NW SE
Latitude/Longitude:	32.01237 -103.42112	Lat/Long Source:	IH
Regulatory #:		Completion Date:	
API:	30025298080101	Total Depth:	15700
Production ID:	2300210252980896776	Upper Perforation:	
Reservoir Name:	WOLFCAMP	Lower Perforation:	
Prod Zone:	WOLFCAMP	Gas Gravity:	
Prod Zone Code:	451WFMP	Oil Gravity:	
Basin Name:	PERMIAN BASIN	Temp Gradient:	
Gas Gatherer:		N Factor:	
Liquid Gatherer:		GOR:	
Status:	ACTIVE		

Annual Production	(15 years)		
Year	Oil BBLs	Gas MCF	Water BBLs
Beginning			
Cum:			
1997	56	60	
1998	177	1,961	
1999	292	593	
2000	66	42	
2002	312		
2003	237		
2004	199		
2005	199		
2006	124		
2007	88		
2008	84		
2009	127		
2010	148		
2011	154		
2012	60		
Totals:	2,323	2,656	

Monthly Production							
Date MO/YR	Oil BBLs	Gas MCF	Water BBLs	Cond Yld STB/MMCF	% Water	# of Wells	Days on
OCT 1997	27	51		529.42		1	1
NOV 1997	0	0				0	0
DEC 1997	29	9		3222.23		1	1
Totals: 1997	56	60					
JAN 1998	0	0				0	0
FEB 1998	0	14				1	1
MAR 1998	3	9		333.34		1	1
APR 1998	45	1,560		28.85		1	4
MAY 1998	40	9		4444.45		1	1
JUN 1998	32	146		219.18		1	4
JUL 1998	0	0				0	0
AUG 1998	5	19		263.16		1	1
SEP 1998	28	197		142.14		1	6
OCT 1998	24	7		3428.58		1	4
NOV 1998	0	0				0	0
DEC 1998	0	0				0	0
Totals: 1998	177	1,961					
JAN 1999	137	17		8058.83		1	31
FEB 1999	16	0				1	28
MAR 1999	28	25		1120.00		1	31
APR 1999	20	134		149.26		1	30
MAY 1999	7	378		18.52		1	0
JUN 1999	0	15				1	30
JUL 1999	7	0				1	31
AUG 1999	21	0				1	31
SEP 1999	16	6		2666.67		1	30
OCT 1999	28	6		4666.67		1	31
NOV 1999	7	6		1166.67		1	30
DEC 1999	5	6		833.34		1	31
Totals: 1999	292	593					
JAN 2000	6	12		500.00		1	0
FEB 2000	3	6		500.00		1	29
MAR 2000	6	3		2000.00		1	31
APR 2000	7	3		2333.34		1	30
MAY 2000	6	3		2000.00		1	31
JUN 2000	5	3		1666.67		1	30
JUL 2000	9	3		3000.00		1	31
AUG 2000	5	3		1666.67		1	31
SEP 2000	6	3		2000.00		1	30
OCT 2000	6	3		2000.00		1	31
NOV 2000	6					1	
DEC 2000	1					1	
Totals: 2000	66	42					

JAN 2002	0			0	
FEB 2002	0			0	
MAR 2002	0			0	
APR 2002	0			0	
MAY 2002	0			0	
JUN 2002	37			1	
JUL 2002	36			1	
AUG 2002	54			1	
SEP 2002	13			1	
OCT 2002	107			1	
NOV 2002	35			1	
DEC 2002	30			1	
Totals:					
2002	312				
JAN 2003	25			1	31
FEB 2003	19			1	0
MAR 2003	21			1	31
APR 2003	18			1	30
MAY 2003	23			1	0
JUN 2003	19			1	0
JUL 2003	19			1	0
AUG 2003	21			1	0
SEP 2003	19			1	0
OCT 2003	20			1	0
NOV 2003	14			1	0
DEC 2003	19			1	0
Totals:					
2003	237				
JAN 2004	21			1	31
FEB 2004	18			1	0
MAR 2004	20			1	0
APR 2004	17			1	0
MAY 2004	18			1	0
JUN 2004	18			1	0
JUL 2004	0			0	0
AUG 2004	18			1	0
SEP 2004	17			1	30
OCT 2004	17			1	31
NOV 2004	17			1	30
DEC 2004	18			1	31
Totals:					
2004	199				
JAN 2005	18			1	31
FEB 2005	16			1	28
MAR 2005	18			1	31
APR 2005	13			1	30
MAY 2005	18			1	31
JUN 2005	17			1	30
JUL 2005	18			1	31
AUG 2005	18			1	31
SEP 2005	16			1	30
OCT 2005	16			1	31
NOV 2005	13			1	30
DEC 2005	18			1	31

Totals:				
2005	199			
JAN 2006	16		1	0
FEB 2006	2		1	28
MAR 2006	0		0	0
APR 2006	0		0	0
MAY 2006	20		1	4
JUN 2006	11		1	0
JUL 2006	11		1	1
AUG 2006	11		1	3
SEP 2006	12		1	4
OCT 2006	12		1	3
NOV 2006	14		1	2
DEC 2006	15		1	3
Totals:				
2006	124			
JAN 2007	7		1	3
FEB 2007	7		1	3
MAR 2007	8		1	3
APR 2007	7		1	3
MAY 2007	7		1	3
JUN 2007	7		1	2
JUL 2007	7		1	3
AUG 2007	7		1	3
SEP 2007	7		1	3
OCT 2007	8		1	31
NOV 2007	7		1	3
DEC 2007	9		1	3
Totals:				
2007	88			
JAN 2008	6		1	3
FEB 2008	7		1	3
MAR 2008	8		1	31
APR 2008	7		1	30
MAY 2008	7		1	0
JUN 2008	7		1	3
JUL 2008	7		1	31
AUG 2008	7		1	31
SEP 2008	7		1	4
OCT 2008	7		1	3
NOV 2008	7		1	30
DEC 2008	7		1	31
Totals:				
2008	84			
JAN 2009	14		1	31
FEB 2009	2		1	28
MAR 2009	1		1	31
APR 2009	10		1	30
MAY 2009	18		1	31
JUN 2009	15		1	30
JUL 2009	10		1	31
AUG 2009	15		1	31
SEP 2009	7		1	0

OCT 2009	11			1	31
NOV 2009	10			1	30
DEC 2009	14			1	31
Totals:					
2009	127				

JAN 2010	63			1	31
FEB 2010	6			1	28
MAR 2010	7			1	31
APR 2010	18			1	30
MAY 2010	8			1	31
JUN 2010	4			1	30
JUL 2010	2			1	31
AUG 2010	8			1	31
SEP 2010	7			1	30
OCT 2010	8			1	31
NOV 2010	8			1	30
DEC 2010	9			1	31
Totals:					
2010	148				

JAN 2011	13			1	31
FEB 2011	12			1	28
MAR 2011	0			0	0
APR 2011	21			1	30
MAY 2011	10			1	31
JUN 2011	9			1	30
JUL 2011	10			1	31
AUG 2011	11			1	31
SEP 2011	23			1	30
OCT 2011	24			1	31
NOV 2011	11			1	30
DEC 2011	10			1	31
Totals:					
2011	154				

JAN 2012	14			1	31
FEB 2012	11			1	29
MAR 2012	14			1	31
APR 2012	9			1	30
MAY 2012	12			1	31
Totals:					
2012	60				

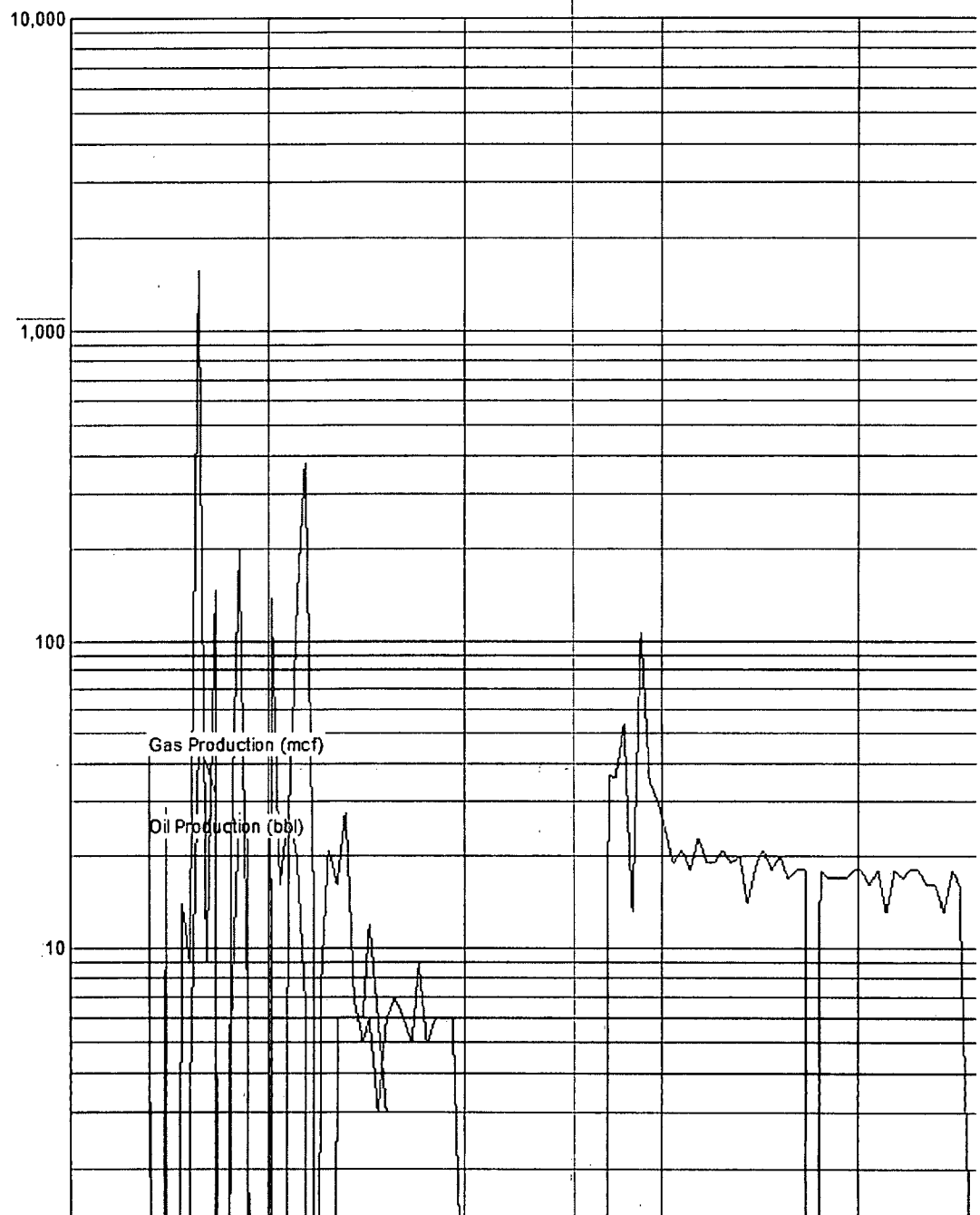
Gas Tests		Total count: 1									
API Number	Well Number	Test Date	WHSIP	WHFP	BHP	BHP/Z	Water B/D	Cond B/D	Gas MCFD	AOF MCFD	
-----											
First Test											
30025298080101	1	20010916	395								
=====											

## Tommy Folsom

**From:** Tyler Jones  
**Sent:** Thursday, September 27, 2012 3:08 PM  
**To:** Tommy Folsom  
**Subject:** Madera 25 #1 Production

GREAT WESTERN DRILLING COMPANY MADERA 25 F

Production Rates



Tyler Jones  
RMR Operating, LLC  
415 W. Wall St. Suite 1310  
Midland, TX 79701  
Office : 214-871-0400  
Fax : 432-682-0441

[tyler@redmountainresources.com](mailto:tyler@redmountainresources.com)

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BLACK ROCK CAPITAL, INC  
Ledger Listing

06/01/2011 thru 08/31/2012

\*\*\* Only Accounts 5500 thru 5500 are Included. \*\*\*

\*\*\* Only Sub-Accounts 15080 thru 15080 are Included. \*\*\*

Journal Summary: Override Acct Sw - Print all

Printing Summary by Month

Date	Reference	Jrnl	Description	Invoice#	Amount	Quantity
5500-15080	Lease Operating Expenses - Madera 25 #1				0.00	
07/31/2011	MAD25	ACR	Accrue Madera 25 #1 July		378.71	
07/31/2011	Jrnl Summary	ACR	Accruals		378.71	
	<b>Jul 2011 Summary:</b>		<b>378.71 (DB) 0.00 (CR)</b>	<b>378.71 (Net)</b>	<b>378.71 (Bal)</b>	
09/01/2011	25	20	Great Western Drilling Co. JB 7/31/11	110703036000-67	378.71	
09/01/2011	26	20	Great Western Drilling Co. JIB 8/31/11	110803036000-68	272.79	
09/01/2011	MADREV7	1	Reverse Madera 25 #1 accrual July		378.71-	
09/30/2011	24	20	Great Western Drilling Co. - Sept JI	110903036000-69	165.43	
09/30/2011	Jrnl Summary	1	General Journal Entries		378.71-	
		20	A/P Invoices		816.93	
	<b>Sep 2011 Summary:</b>		<b>816.93 (DB) 378.71-(CR)</b>	<b>438.22 (Net)</b>	<b>816.93 (Bal)</b>	
12/31/2011	51	20	Great Western Drilling Co. Nov JIB	JIB111130	233.15	
12/31/2011	76	20	Great Western Drilling Co.	JIB111231	454.49	
12/31/2011	Jrnl Summary	20	A/P Invoices		687.64	
	<b>Dec 2011 Summary:</b>		<b>687.64 (DB) 0.00 (CR)</b>	<b>687.64 (Net)</b>	<b>1,504.57 (Bal)</b>	
01/01/2012	89	20	Great Western Drilling Co.	JIB111031	332.90	
01/31/2012	88	20	Great Western Drilling Co.	JIB120131	222.30	
01/31/2012	Jrnl Summary	20	A/P Invoices		555.20	
	<b>Jan 2012 Summary:</b>		<b>555.20 (DB) 0.00 (CR)</b>	<b>555.20 (Net)</b>	<b>2,059.77 (Bal)</b>	
02/29/2012	107	20	Great Western Drilling Co.	JIB120229	111.91	
02/29/2012	Jrnl Summary	20	A/P Invoices		111.91	
	<b>Feb 2012 Summary:</b>		<b>111.91 (DB) 0.00 (CR)</b>	<b>111.91 (Net)</b>	<b>2,171.68 (Bal)</b>	
04/01/2012	128	20	Great Western Drilling Co.-Mar, 12 JIB	JIB120331	416.66	
04/30/2012	151	20	Great Western Drilling Co.-4/12	JIB120430	111.31	
04/30/2012	Jrnl Summary	20	A/P Invoices		527.97	
	<b>Apr 2012 Summary:</b>		<b>527.97 (DB) 0.00 (CR)</b>	<b>527.97 (Net)</b>	<b>2,699.65 (Bal)</b>	
05/31/2012	165	20	Great Western Drilling Co.-May JIB	JIB120531	334.14	
05/31/2012	Jrnl Summary	20	A/P Invoices		334.14	
	<b>May 2012 Summary:</b>		<b>334.14 (DB) 0.00 (CR)</b>	<b>334.14 (Net)</b>	<b>3,033.79 (Bal)</b>	
06/30/2012	174	20	Great Western Drilling Co.-June, 2012 JIB	JIB120630	213.56	
06/30/2012	Jrnl Summary	20	A/P Invoices		213.56	
	<b>Jun 2012 Summary:</b>		<b>213.56 (DB) 0.00 (CR)</b>	<b>213.56 (Net)</b>	<b>3,247.35 (Bal)</b>	
07/31/2012	183	20	Great Western Drilling Co.-July, 12	JIB120731	213.55	
07/31/2012	Jrnl Summary	20	A/P Invoices		213.55	
	<b>Jul 2012 Summary:</b>		<b>213.55 (DB) 0.00 (CR)</b>	<b>213.55 (Net)</b>	<b>3,460.90 (Bal)</b>	
5500-15080	3,460.90		YTD Total		3,460.90 *	

Grand Total= 3,460.90 #Detail: 15

3,460.90

<b>Jul 2011 Summary:</b>	<b>378.71 (DB)</b>	<b>0.00 (CR)</b>	<b>378.71 (Net)</b>
<b>Sep 2011 Summary:</b>	<b>816.93 (DB)</b>	<b>378.71-(CR)</b>	<b>438.22 (Net)</b>
<b>Dec 2011 Summary:</b>	<b>687.64 (DB)</b>	<b>0.00 (CR)</b>	<b>687.64 (Net)</b>
<b>Jan 2012 Summary:</b>	<b>555.20 (DB)</b>	<b>0.00 (CR)</b>	<b>555.20 (Net)</b>
<b>Feb 2012 Summary:</b>	<b>111.91 (DB)</b>	<b>0.00 (CR)</b>	<b>111.91 (Net)</b>
<b>Apr 2012 Summary:</b>	<b>527.97 (DB)</b>	<b>0.00 (CR)</b>	<b>527.97 (Net)</b>
<b>May 2012 Summary:</b>	<b>334.14 (DB)</b>	<b>0.00 (CR)</b>	<b>334.14 (Net)</b>
<b>Jun 2012 Summary:</b>	<b>213.56 (DB)</b>	<b>0.00 (CR)</b>	<b>213.56 (Net)</b>
<b>Jul 2012 Summary:</b>	<b>213.55 (DB)</b>	<b>0.00 (CR)</b>	<b>213.55 (Net)</b>

Schlumberger

COMPENSATED NEUTRON  
LITHO DENSITY

COUNTY LEA N.M.  
 FIELD WILDCAT  
 LOCATION  
 WELL MADERA FEDERAL  
 "25" NO. 1  
 COMPANY TOM BROWN INC.

COMPANY TOM BROWN INC.  
 WELL MADERA FEDERAL "25" NO. 1  
 FIELD WILDCAT  
 COUNTY LEA STATE NEW MEXICO  
 LOCATION 1980' FSL & 1980' FEL  
 API SERIAL NO. 25 SEC. 26-5 TWP. 34-E RANGE  
 Other Services:  
 DLI  
 DLI/SFL  
 CSS  
 FLL

Permanent Datum: G.L. \_\_\_\_\_ Elev. 3198  
 Log Measured From: K.B. \_\_\_\_\_, 31 ft. Above Perm. Datum  
 Drilling Measured From: K.B. \_\_\_\_\_

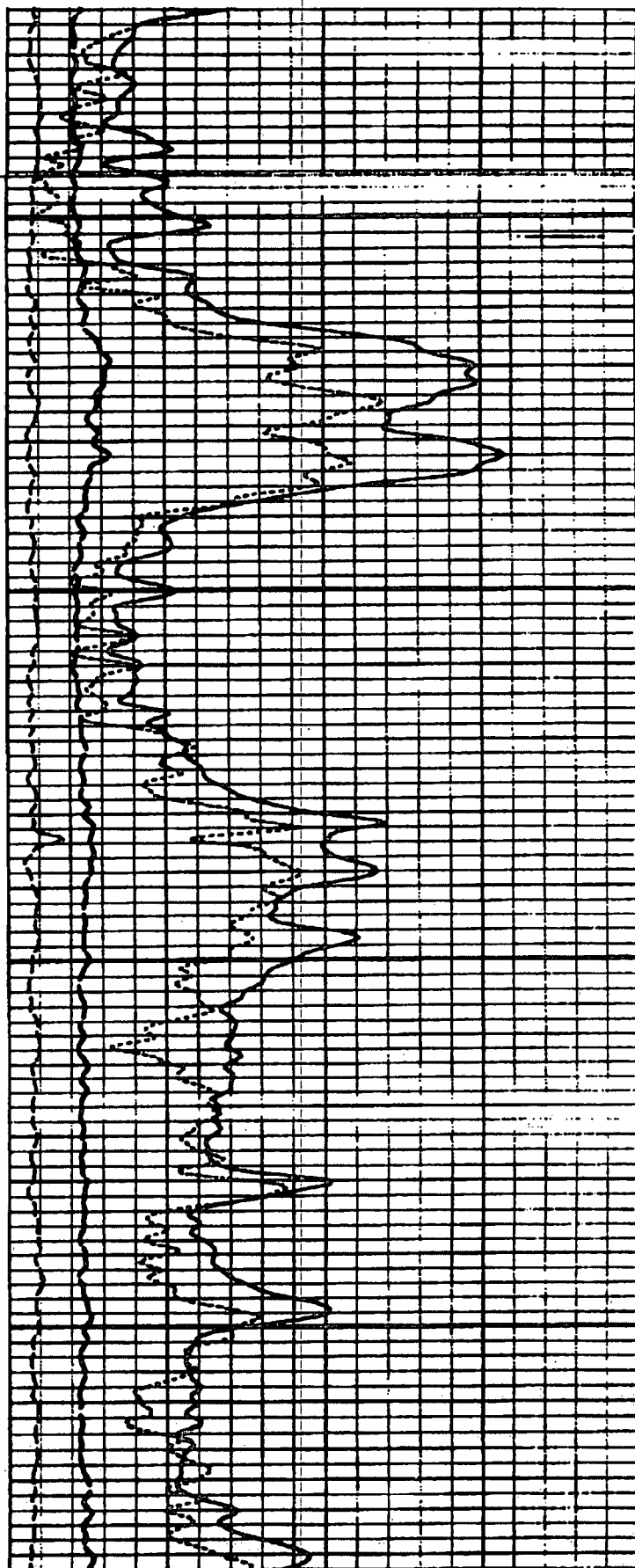
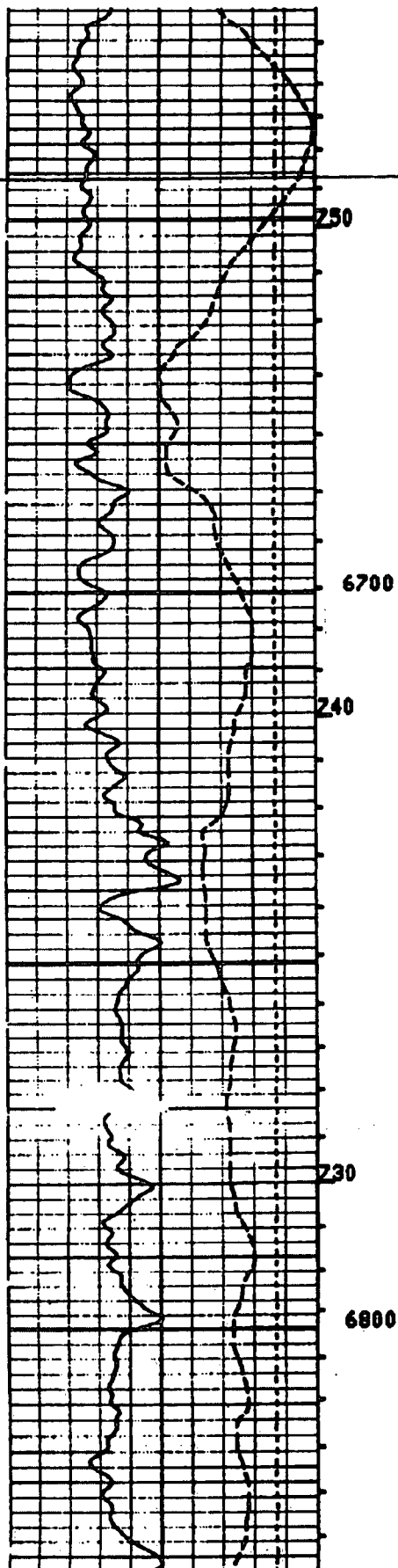
Elev. K.B. 3229  
 D.F. 3228  
 G.L. 3198

Date	2-6-87	3-24-87	4-22-87	
Run No.	ONE	TWO	THREE	
Depth-Driller	13466	17745	22500	
Depth-Logger	13457	17200	22480	
Btm. Log Interval	13454	17197	22477	
Top Log Interval	50	13500	17000	
Coring-Driller	13 3/8 35260	9 5/8 @ 15470	7 3/4 @ 18718	@
Coring-Logger	3257	13457	18709	
Bit Size	12 1/4	8 5/4	6 1/2	
Type Fluid in Hole	CUT BRINE	::	CUT BRINE	
Dens. Visc.	9.30 29.0	14.90 53.0	8.90 28.0	ml
pH Fluid Loss	11.0	ml	11.5	ml
Source of Sample	CIRC. PIT		CIRC. TANK	
Rm @ Moon. Temp.	.091 @ 60 °F	@ °F	.088 @ 80 °F	@ °F
Rmt @ Moon. Temp.	.080 @ 62 °F	@ °F	@ °F	@ °F
Rmt @ Moon. Temp.	@ °F	@ °F	@ °F	@ °F
Source Refl Bmt	MEAS NA		MEAS	
Rm @ BMT	.034 @ 172 °F	@ 220 °F	.026 @ 290 °F	@ °F
Circulation Stopped	2200 2-5	2300 3-23	0500 4-28	
Logger on Bottom	1250 2-6 °F	1209 3-24 °F	0742 4-29 °F	
Max. Rec. Temp.	172	220	290	
Equip. Location	B279 HOBBBS	R405 MONA	R405 MONA	
Recorded By	MILLER			
Witnessed By	HANSON	HANSON	HANSON	

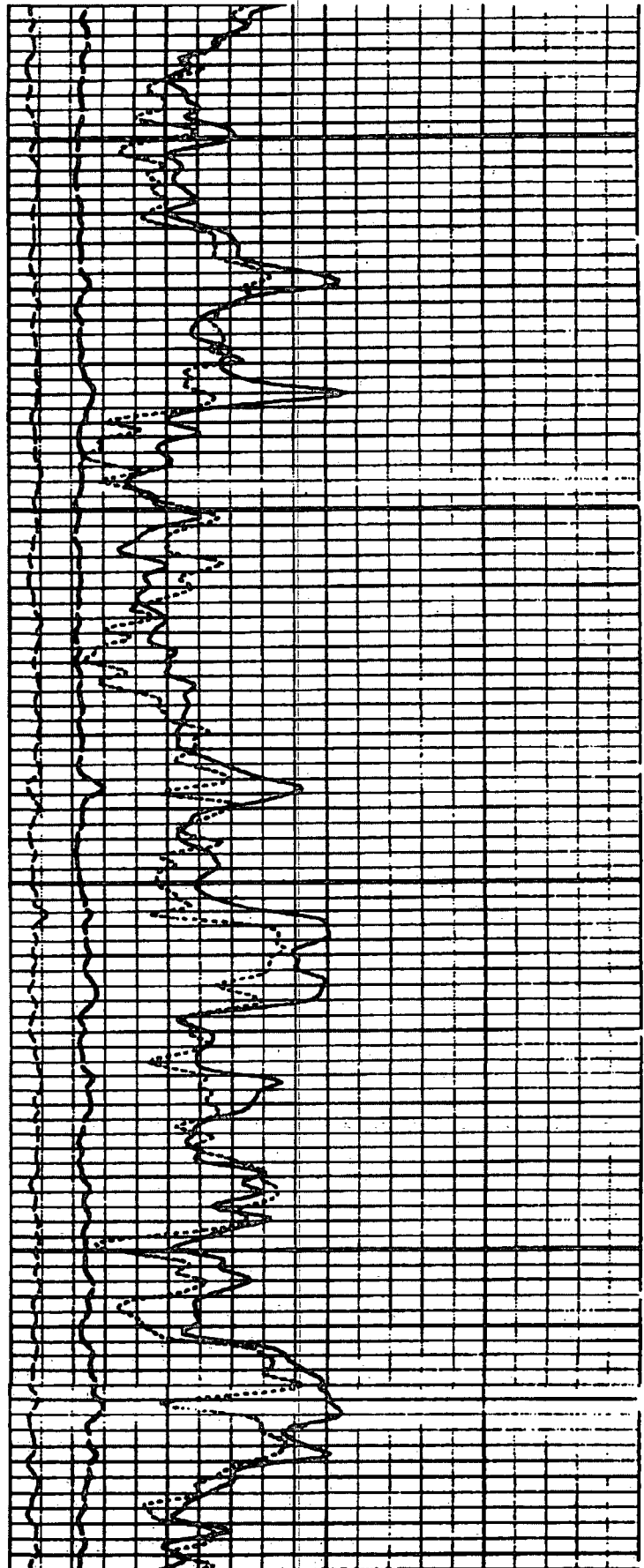
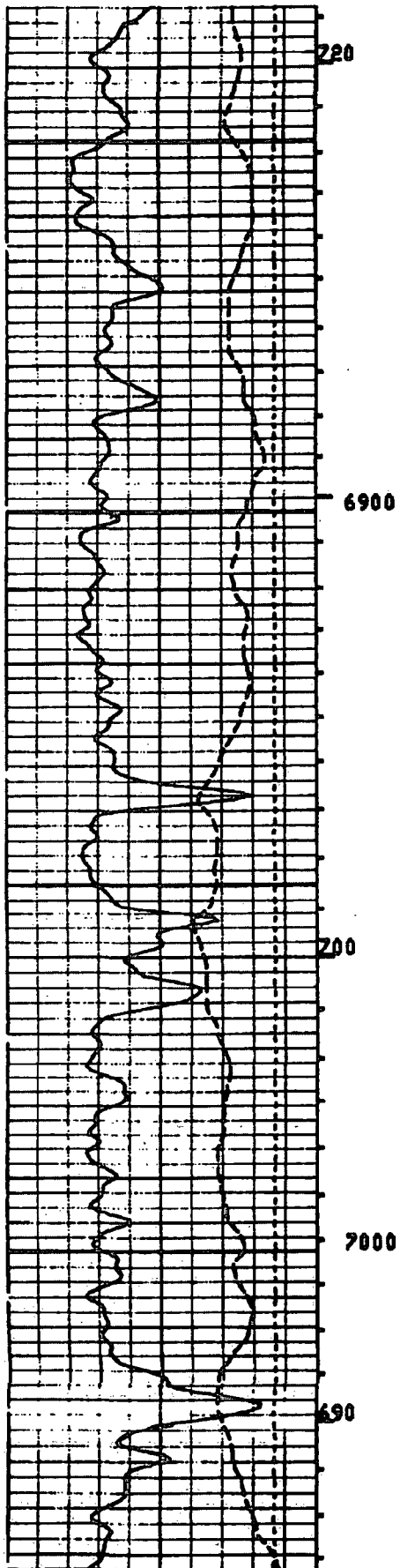
FOLD HERE

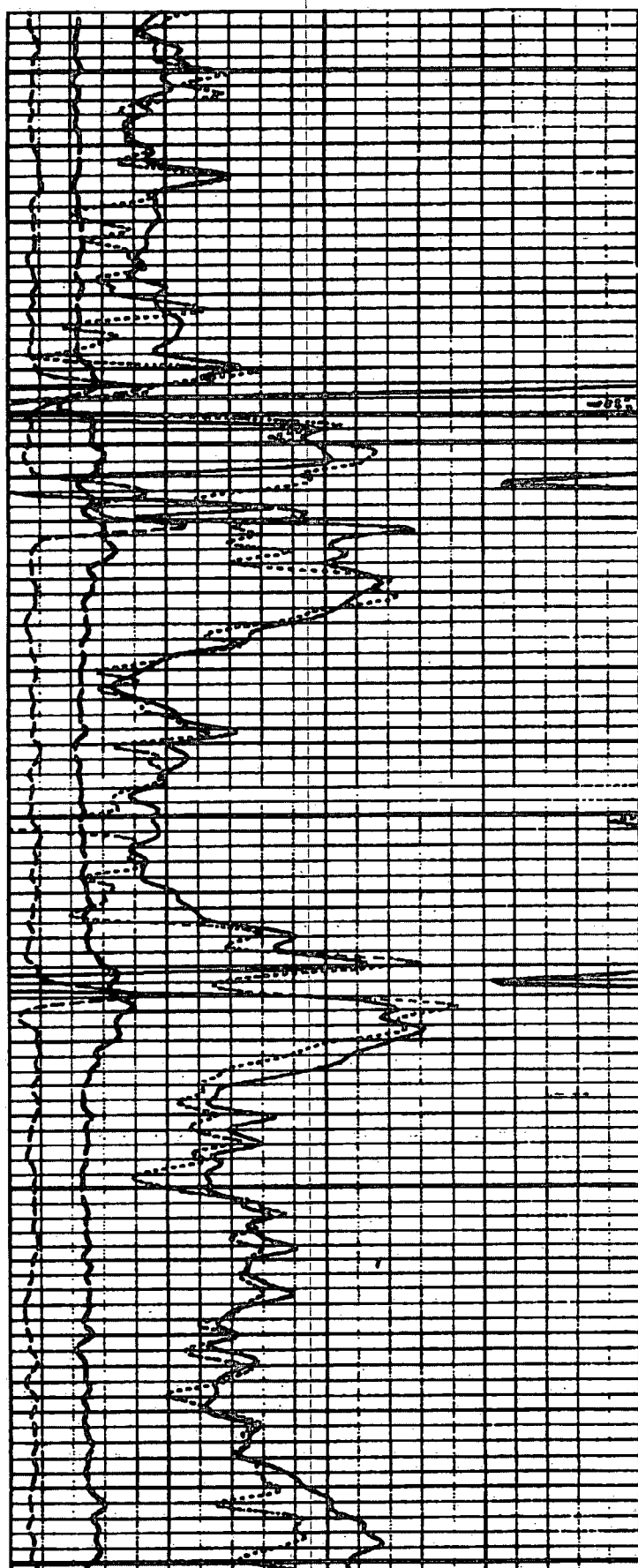
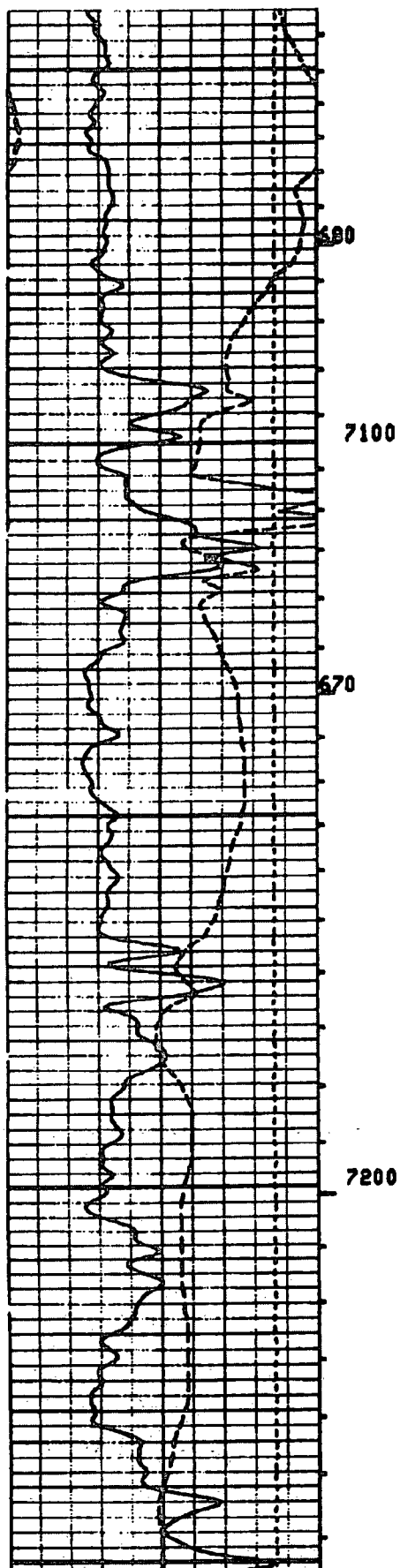
The well name, location and borehole reference data were furnished by the customer.

RUN NO.	ONE	TWO	THREE	Type Log	Depth
Service Order No.	535632	477001	477009		
Program Tape No.	28.4A	28.4A	28.4A		
Fluid Level					
EQUIPMENT DATA					
Module					
Telemetry Cart					
Dens. Cart.					
Dens. Skid.					
Dens. Sonda					
Dens. Source					
Dens. Calibrator					
Neut. Cart.					
Neut. Source					
				REMARKS:	
				RUN TWO: * PETROMIL (WIL BASE)	



TGS





## **Conditions of Approval**

**RMR Operating, LLC**

**Madera 25 Federal #1**

**API 30-025-29808**

**T26S-R34E, Sec 25**

November 15, 2012

1. **Provide BLM with an electronic copy (Adobe Acrobat Document) cement bond log record from 13,500' or below to top of cement. Records indicate one was run in May of 1987. The CBL may be attached in an e-mail to [pswartz@blm.gov](mailto:pswartz@blm.gov). This is required to verify cement behind pipe prior to setting the plugs in the 5 ½" liner.**
2. Submit a new "Well Location and Acreage Dedication Plat" (NMOCD Form C-102) with the subsequent report when work is completed. The C-102 should be submitted with the notice of intent package when recompleting to another formation.
3. Subject to like approval by the New Mexico Oil Conservation Division.
4. Notify BLM 575-393-3612 a minimum of 24 hours prior to commencing plug back procedures. The procedures shall be witnessed. If no answer, leave a voice mail with the API#, workover purpose and a call back phone number. Note the contact, time and date in your subsequent report.
5. Surface disturbance beyond the originally approved pad must have prior approval.
6. A closed loop system is required. The operator shall properly dispose of drilling/circulating contents at an authorized disposal site. Tanks are required for all operations, no excavated pits.
7. Functional H<sub>2</sub>S monitoring equipment shall be on location.
8. A minimum of 5000 (5M) BOPE shall be used. All blowout preventer (BOP) and related equipment (BOPE) shall comply with reasonable well control requirements. A two ram system with a blind ram and a pipe ram designed for the size of the work string shall be adequate. Tapered work strings will require an additional pipe ram. The manifold shall comply with Onshore Oil and Gas Order #2 Attachment I (5M) Diagrams of Choke Manifold Equipment). The accumulator system shall have an immediately available power source to close the rams and retain 200 psi above pre-charge. The pre-charge test shall follow requirements in Onshore Order #2.
9. All waste (i.e. trash, salts, chemicals, sewage, gray water, etc.) created as a result of work over operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area. Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.
10. The BLM PET witness is to run tbg tally and agree to cement placement. Sample each plug for cement curing time and tag and/or pressure test (WOC time of 4 hours recommended) as requested by BLM PET witness.

11. Minimum requirement for mud placed between plugs is 25 sacks of salt water gel per 100 barrels in 9 lb/gal brine.
12. **Steps 2 & 3 - The subsequent report of 10/10/1997 lists perforations from 13,356' to 13,560'. The cement retainer shall be set 50 to 100 feet above all these perforations. The operator shall squeeze an additional amount of cement to squeeze all of the perforations. Operator shall place a balanced class "H" neat cement plug on the retainer of 100 sacks. This plug will cap the retainer, cover the whipstock mill window at 13,020' to 12,415' (50ft or more above the 5 ½" liner top) and cover the Wolfcamp formation top. BLM SHALL REVIEW CBL PRIOR TO PUMPING THIS 100 SACK PLUG. Plug shall be tagged at 12,415' or shallower.**
13. **Step 4 – Set the plug as described.**
14. **Operator will have difficulty placing 10# salt gel as stated in Step 5 since they will already have a plug from 9,525' to 9,325'. Modified step to show 9,325'.**
15. After setting the **plug** is **Step 4** and before perforating, perform a BLM PET witnessed (charted) **casing integrity test to 1400 psig**. Pressure leakoff may require remediation prior to continuing the workover. Include a copy of the chart in the subsequent sundry for this workover.
16. **Submit detailed evaluation that proposed injection formation perforations are not productive in paying quantities – include log review and swab test results. That evaluation is to be reviewed by BLM prior to initiating injection.**
17. **Operator shall not perform a fracture treatment on this well.**
18. **Operator shall provide a copy of the step rate test with the subsequent report (3160-5) of work completed within 30 days of completing these procedures.**
19. Submit the BLM Form 3160-4 **Completion Report** within 30 days of the date all BLM approved procedures are complete.
20. Workover approval is good for 90 days (completion to be within 90 days of approval). A detailed justification is required for an extension of this date.

An inactive/shut-in well bore is a non-producing completion that is capable of "beneficial use" i.e. production in **paying quantities** or of service use.

21. Submit evidence to support your determination that the well has been returned to active "beneficial use" for BLM approval on the Sundry Notice Form 3160-5 (the original and 3 copies) before 05/20/2013.
22. Should "beneficial use" not be achieved submit for BLM approval a plan for plug and abandonment.

PRS / WWI 111512

### **Operations for a Well with an Inj Packer**

- 1) Conduct a Mechanical Integrity Test of the tubing/casing annulus after a tubing, packer or casing seal is established. Repair that seal any time more than five barrels of packer fluid is replaced within 30 days.
- 2) The minimum test pressure should be 500 psig for 30 minutes or 300 psig for 60 minutes, with 200 psig differentials between tubing and casing pressure (at test time) but no more than 70% of casing burst pressure as described by Onshore Order 2.III.B.1.h. (The tubing or reservoir pressure may need to be reduced). An alternate method for a BLM approved MIT is to have the fluid filled system open to atmospheric pressure and have a loss of less than five barrels in 30 days witnessed by a BLM authorized officer.
- 3) Document the pressure test on a calibrated recorder chart registering within 25 to 85 per cent of its full range. Greater than 10% pressure leakoff will be viewed as a failed MIT. Less than 10% pressure leakoff will be evaluated site specifically and may restrict injection approval.
- 4) Make arrangements 24 hours before the test for BLM to witness. In Lea County email Andy Cortez [acortez@blm.gov](mailto:acortez@blm.gov), (phone 575-393-3612 or 575-631-5801). Note the contact, time and date in your subsequent report.
- 5) Submit a subsequent Sundry Form 3160-5 detailing the MIT activity. Include a copy of the recorded MIT pressure chart. List the name of the BLM witness, or the notified person and date of notification. NMOCD is to retain the original recorded MIT chart.
- 6) Use of tubing internal protection, tubing on/off equipment just above the packer, a profile nipple, and an in line tubing check valve below the packer or between the on/off tool and packer is a "Best Management Practice". The setting depths and descriptions of each are to be included in the subsequent sundry. List (by date) descriptions of daily activity of any previously unreported wellbore workover.
- 7) **Submit the original subsequent sundry with three copies to BLM Carlsbad.**
- 8) Compliance with a NMOCD Administrative Order is required, submit documentation of that authorization. Approved injection pressure compliance is required. If injection pressure exceeds the approved pressure you are required to reduce that pressure and notify the BLM within 24 hours.
- 9) When injection pressure is within 50 psig of the maximum pressure, install automation equipment that will prevent exceeding that maximum. Submit a subsequent report (Sundry Form 3160-5) describing the installed automation equipment within 30 days.
- 10) Unexplained significant variations of rate or pressure to be reported within 5 days of notice.
- 11) The casing/tubing annulus is required to be monitored for communication with injection fluid or loss of casing integrity. A BLM inspector may request verification of a full annular fluid level at any time.
- 12) A "Best Management Practice" is to maintain the annulus full of packer fluid at atmospheric pressure. Equipment that will display on site, continuous open to the air fluid level is necessary to achieve this goal.



- 13) Loss of packer fluid above five barrels per month indicates a developing problem. Notify BLM Carlsbad Field Office, Petroleum Engineering within 5 days.
- 14) A suggested format for monthly records documenting that the casing annulus is fluid filled is available from the BLM Carlsbad Field Office.
- 15) Gain of annular fluid requires notification within 24 hours. Cease injection and maintain a production casing pressure of 0psia. Notify the BLM's authorized officer ("Paul R. Swartz" <[pswartz@blm.gov](mailto:pswartz@blm.gov)>, cell phone 575-200-7902). If there is no response phone 575-361-2822.
- 16) Submit a (Sundry Form 3160-5) subsequent report (daily reports) describing all wellbore activity and Mechanical Integrity Test as per item 1) above. Include the date(s) of the well work, and the setting depths of equipment: internally corrosive protected tubing, tubing on/off equipment just above the packer, and an in line tubing check valve below the packer or between the on/off tool and packer. The setting depths and descriptions of each are to be included in the subsequent sundry. List (by date) descriptions of daily activity of any previously unreported wellbore workover.

**Access information for use of Form 3160-5 "Sundry Notices and Reports on Wells"**

NM Fed Regs & Forms - [http://www.blm.gov/nm/st/en/prog/energy/oil\\_and\\_gas.html](http://www.blm.gov/nm/st/en/prog/energy/oil_and_gas.html)

§ 43 CFR 3162.3-2 Subsequent Well Operations.

§ 43 CFR 3160.0-9 (c)(1) Information collection.

§ 3162.4-1 (c) Well records and reports.