

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



February 13, 2014

Mr. Mark Plummer
Chestnut Exploration and Production, Inc.
2201 North Central Expressway, Suite 240
Richardson, TX 75080

RE: Packer Setting Depth Exception

Injection Authority: Administrative Order SWD-326
Pool: SWD; Seven Rivers formation
D & E Federal Well No. 1 API 30-025-02448
Unit N, Sec 22, T20S, R34E, NMPM, Lea County, New Mexico

Mr. Plummer:

Reference is made to your request on behalf of Chestnut Exploration and Production, Inc. (OGRID 262294; "Chestnut") received by the Division on January 13, 2014, for the above named well. Chestnut applied for exception for setting the packer within 100 feet of the top of the approved injection interval.

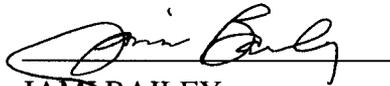
It is our understanding that during the completion of a mechanical integrity testing conducted in January on this well that the packer set was determined to be at a depth of 3308 feet. The packer was installed at this location in order to achieve proper seating of the packer set. This location of the packer is approximately 170 feet above the top of the perforated injection interval that begins at 3478 feet. Administrative Order SWD-326 approved July 20, 1987, authorized injection through perforations from 3478 feet to 3496 feet and through open hole from 3533 feet to 3690 feet.

For the reasons stated in the application and because it appears that correlative rights are protected, waste will not occur and this modification will not endanger any fresh water aquifer or the environment, the exception is granted. The packer location within this well shall not be set higher than 170 feet unless the operator receives written approval from the Division Director.

Packer Setting Depth Exception
Chestnut Exploration and Production, Inc.
February 13, 2014
Page 2 of 2

The Division Director may rescind this exception if it becomes apparent that the injected fluid is not being confined to the permitted interval or is endangering any fresh water aquifer.

Sincerely,



JAMP BAILEY
Director

JB/prg

cc: Oil Conservation Division – Hobbs Office
SWD-326
Well File API 30-025-02448
United States Bureau of Land Management – Carlsbad Office

Goetze, Phillip, EMNRD

From: Mark Plummer <Mark@chestnutep.com>
Sent: Monday, January 13, 2014 1:13 PM
To: Goetze, Phillip, EMNRD
Subject: FW: Gas, Inj, & Disposal Well Monitoring
Attachments: Sundry Notice for DE Fed 1 3-26-11 (2).pdf; DE Fed 1 Permit approved 4-7-11.pdf; Potash Area per Sandia Labs and Allan Sattler 2010.pdf; z Gas, Inj, & Disposal Well Monitoring; Quarterly Report.xlsx

From: Mark Plummer
Sent: Monday, January 13, 2014 12:00 PM
To: 'phillip.goeze@nm.state.us'
Cc: Jim Kendall; Gregory Delaune
Subject: FW: Gas, Inj, & Disposal Well Monitoring

Phillip,

Hi! It was good to speak with you Friday. Here is the system that Paul Swartz recommended for our Chestnut - D&E Federal #1 SWD well in 2010. Paul's system is the excel workbook and covers 3 separate pages (his email to me is below).

I attached the Sundry we submitted on 3-26-2011 and the corresponding approval on 4-7-2011. I believe we set the packer where we did because of the problem of the Nitrogen generation in the Potash zones above the Lynch - Yates - Seven Rivers. The nitrogen is generated by the Potash deposit per Allan Sattler at Sandia National Lab. I attached their map of the Potash and I'll forward his email.

Mark

Mark A. Plummer
Owner and Chairman
Chestnut Exploration Companies

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Energy investments are speculative and involve a high degree of risk. Oil and natural gas wells are naturally depleting assets. Cash flows and returns may vary and are not guaranteed. Past performance is no indication of future performance. Nothing herein shall be construed as tax or accounting advice. **Investors may lose money.**

-----Original Message-----

From: [Paul Swartz@blm.gov](mailto:Paul_Swartz@blm.gov) [mailto:[Paul Swartz@blm.gov](mailto:Paul_Swartz@blm.gov)]

Sent: Wednesday, October 06, 2010 4:18 PM

To: Mark Plummer

Subject: Gas, Inj, & Disposal Well Monitoring

Mark,

Thanks for the visit today. Here is the workbook that I mentioned. Would like to get your feedback as to the practical application.

(See attached file: z Gas, Inj, & Disposal Well Monitoring; Quarterly Report.xlsx)

Paul R. Swartz
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220

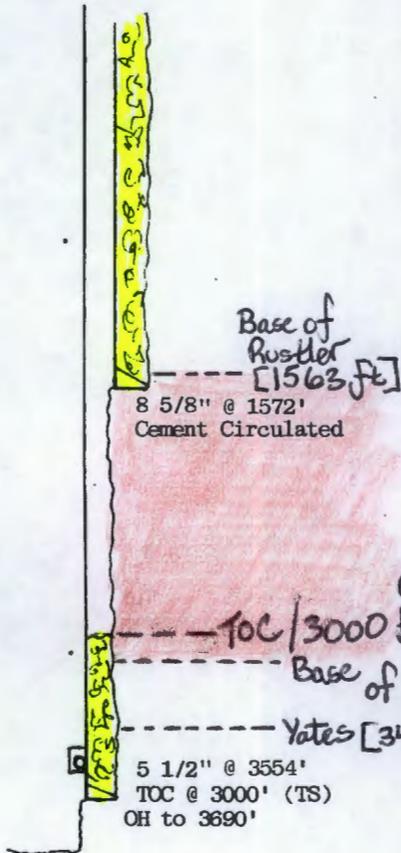
BLM Pet Eng Tech
575-234-5985 office
575-234-5927 fax
575-200-7902 cell

paul_swartz@nm.blm.gov

INJECTION WELL DATA SHEET

Roger O. Goza <small>OPERATOR</small>	D & E Federal <small>LEASE</small>		
1	1980' FWL & 660' FSL	22	20-S 34-E
<small>WELL NO.</small>	<small>FOOTAGE LOCATION</small>	<small>SECTION</small>	<small>TOWNSHIP RANGE</small>
Lea County, New Mexico			

Schematic



Tubular Data

Surface Casing

Size 8 5/8 " Cemented with 375 sx.
 TOC Surface feet determined by circulation
 Hole size unknown

Intermediate Casing

Size _____ " Cemented with _____ sx.
 TOC _____ feet determined by _____
 Hole size _____

Long string

Size 5 1/2 " Cemented with 440 sx.
 TOC 3000 feet determined by Temp Survey
 Hole size unknown
 Total depth 3690'

Injection interval

3478 feet to 3496 feet perforated
(perforated or open-hole, indicate which)
3533 feet to 3690 feet open-hole

Tubing size 2 3/8" lined with plastic (material) set in a
Baker Model AD - 1 packer at 3375 feet.
(brand and model)
 (or describe any other casing-tubing seal).

Other Data

1. Name of the injection formation Seven Rivers
2. Name of Field or Pool (if applicable) Lynch Yates Seven Rivers
3. Is this a new well drilled for injection? Yes No
 If no, for what purpose was the well originally drilled? as an oil producer
4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail (sacks of cement or bridge plug(s) used) the lower portion of the Yates has been perforated but will not take fluids at the rate and pressure proposed
5. Give the depth to and name of any overlying and/or underlying oil or gas zones (pools) in this area. Bone Spring 9104' Bend 12,987'
Morrow 13,041'

Goetze, Phillip, EMNRD

From: Whitaker, Mark A, EMNRD
Sent: Friday, January 10, 2014 1:25 PM
To: Goetze, Phillip, EMNRD
Cc: Brown, Maxey G, EMNRD
Subject: Packer Settings on UIC Wells

Phillip,

As per our conversation this morning, the 2 wells we spoke about are:

- 1) PPC Operating Company LLC
Rhodes Yates Unit # 10
30-025-12058
UL-L, Sec 27, T26S, R37E
Reports packer at 2963' w/ top perforation at 3122'. Well tested good.
- 2) Chestnut Exploration and Production Inc.
D and E Federal # 1
30-025-02448
UL-N, Sec 22, T20S, R34E
Reports packer at 3308 w/ top perforation at 3533'. Well tested good.

I informed both operators to shut wells in pending your findings.

Mark A Whitaker
Compliance Officer
OCD Hobbs District I
575-393-6161 ext 120
575-399-3202 (cell)

$$\begin{array}{r} 3375 \\ - 3308 \\ \hline + 67 \text{ ft} \end{array} \qquad \begin{array}{r} 3478 \\ - 3308 \\ \hline + 170 \end{array}$$