STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

ADMINISTRATIVE ORDER SWD-591

APPLICATION OF VICTORY OIL & GAS, INC. FOR SALT WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Victory Oil & Gas, Inc. made application to the New Mexico Oil Conservation Division on April 20, 1995, for permission to complete for salt water disposal its Kim Harris Well No.1 located 990 feet from the Notth line and 2310 feet from the East line (Unit B) of Section 12, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

(1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;

(2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;

(3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and

(4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant herein, is hereby authorized to complete its Kim Harris Well No.1 located 990 feet from the North line and 2310 feet from the East line (Unit B) of Section 12, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, in such manner as to permit the injection of salt water for disposal purposes into the Lower Wolfcamp formation at approximately 10,117 feet to 10,600 through 2 3/8-inch plastic-lined tubing set in a packer located at approximately 9992 feet.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 2023 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Lower Wolfcamp formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Hobbs district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for the entry of such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh water or in a manner inconsistent with the requirements set forth in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall submit monthly reports of the disposal operations in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 9th day of May, 1995.

WILLIAM J. LEMAY, Director

WJL/BES

xc: Oil Conservation Division - Hobbs

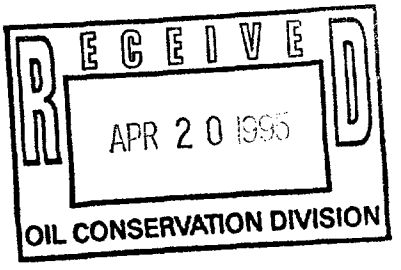
swo 5.4.95

VICTORY OIL & GAS

INCORPORATED

435 N. Gun Barrel Lane, Gun Barrel City, Texas 75147 (903) 887-8001

April 18, 1995



Mr. David Catanash
P. O. Box 2088
Santa Fe, NM 87504-2088

RE: Saltwater Disposal Permit Proposal
Well No. : 013928, Kim Harris No. 1 Well
API No. : 30-025-30939
N. E. Lovington - Wolfcamp, Pool No.: 41060
Lea County, New Mexico

Dear Mr. Catanach,

Below are the details addressing the respective Articles on Form C-108 (revised 7-1-81), concerning the saltwater disposal permit for the referenced well.

Article V.

Attached please find a Map detailing the location of all the wells located within the area of the referenced well. Each well located within a two mile radius of the Kim Harris No. 1 well (identified by the letter "F") are identified by a letter. This letter corresponds to the list of all the Operators, lease names and well numbers on the following page. Also identified on the Map are the two wells located within the "wells' area of review". These wells are identified with the letters "F" and "G", and are further detailed on the attached on Well Data Sheets".

Article VI.

Attached please find several "Injection Well Data Sheets" which detail the current configuration of the two wells located within the "Area of Review". Since the Harris No. 2 (well lettered "G") was recently re-entered and then plugged again, a second "Injection Well Data Sheet" has been included for your review.

Article VII.

Proposed Average Daily Rate:	4,500 BPD
Proposed Maximum Daily Rate:	5,000 BPD
System will be an open.	
Proposed Average Daily Pressure:	1,500 psig.
Proposed Maximum Injection Pressure:	3,500 psig.

It is proposed that all water disposed in the Kim Harris No. 1 well will be produced saltwater, all produced from wells located in the area.

Currently, the Wolfcamp formation is not producing anywhere within a one mile radius from the Kim Harris No. 1 well. The saltwater produced from the Kim Harris No. 1 was tested to contain 79,500 ppm chlorides and had a specific gravity of 1.125. Attached please find the saltwater analysis conducted by Halliburton Services, located in Hobbs, N.M., and dated September 23, 1994.

Article VIII.

All saltwater disposed down the referenced well will be disposed into the Lower Wolfcamp formation. The Lower Wolfcamp consists primarily of limestone throughout its entire section. The top of the Wolfcamp in the Kim Harris No. 1 well is located at a depth of 9,860 feet, with its base located at 10,712 feet. The overall thickness of the Wolfcamp section as seen in the Kim Harris No. 1 well is approximately 852 feet. However, only the lower

portion of the Wolfcamp formation has sufficient porosity and permeability to handle any volume to disposed water.

Only the Ogalalla aquifer is the only known fresh water aquifer in the area. The depth of this aquifer is between the surface of the earth and 400 feet. This fresh water aquifer is protected by the surface casing cemented in the local wells down to a depth of approximately 420 feet.

Article IX.

On September 19, 1994, the Lower Wolfcamp was acidized with 500 gal. 15% NEFE acid. While acidizing the well, the Lower Wolfcamp went on vacuum throughout the entire job. Therefore, it is anticipated the well will not require any stimulation initially, however, in the future, should the well need another stimulation treatment, 15% NEFE acid will probably be used.

Article X.

Attached please find sections of the Lower Wolfcamp as seen by the Dual Induction Laterolog, and the Spectral Density, Dual Spaced Neutron Log.

Article XI.

Article XII.

We at Victory Oil & Gas, Inc., hereby do declare that after examining both the available geological and engineering data, we find no evidence of open faults or any other hydrologic connection between the Lower Wolfcamp and any underground source of drinking water.

Article XIII.

Attached please find "Proof of Notice" which was run in the Lovington Daily Leader newspaper.

We trust the enclosed material sufficiently details our permit request for the referenced well. However, should you require any additional information, feel free to contact us at your earliest convenience..

Sincerely,

David H. Holstein
President

DHH/i

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501

FORM C-108
Revised 7-1-81

APPLICATION FOR AUTHORIZATION TO INJECT

I. Purpose: ☐ Secondary Recovery ☐ Pressure Maintenance ☒ Disposal ☐ Storage
Application qualifies for administrative approval? ☐ yes ☐ no

II. Operator: Victory Oil & Gas, Inc.

Address: 435 N. Gun Barrel Lane, Gun Barrel City, Texas 75147

Contact party: David H. Holstein Phone: 903-887-8001

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

IV. Is this an expansion of an existing project? ☐ yes ☒ no
If yes, give the Division order number authorizing the project _____.

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

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

VII. Attach data on the proposed operation, including:

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

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

IX. Describe the proposed stimulation program, if any.

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

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

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

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

XIV. Certification

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

Name: David H. Holstein Title President

Signature: David H. Holst Date: 3-31-95

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

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate Division district office.

III. WELL DATA

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

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

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

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

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

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

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

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

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

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

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

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

XIV. PROOF OF NOTICE

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

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

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

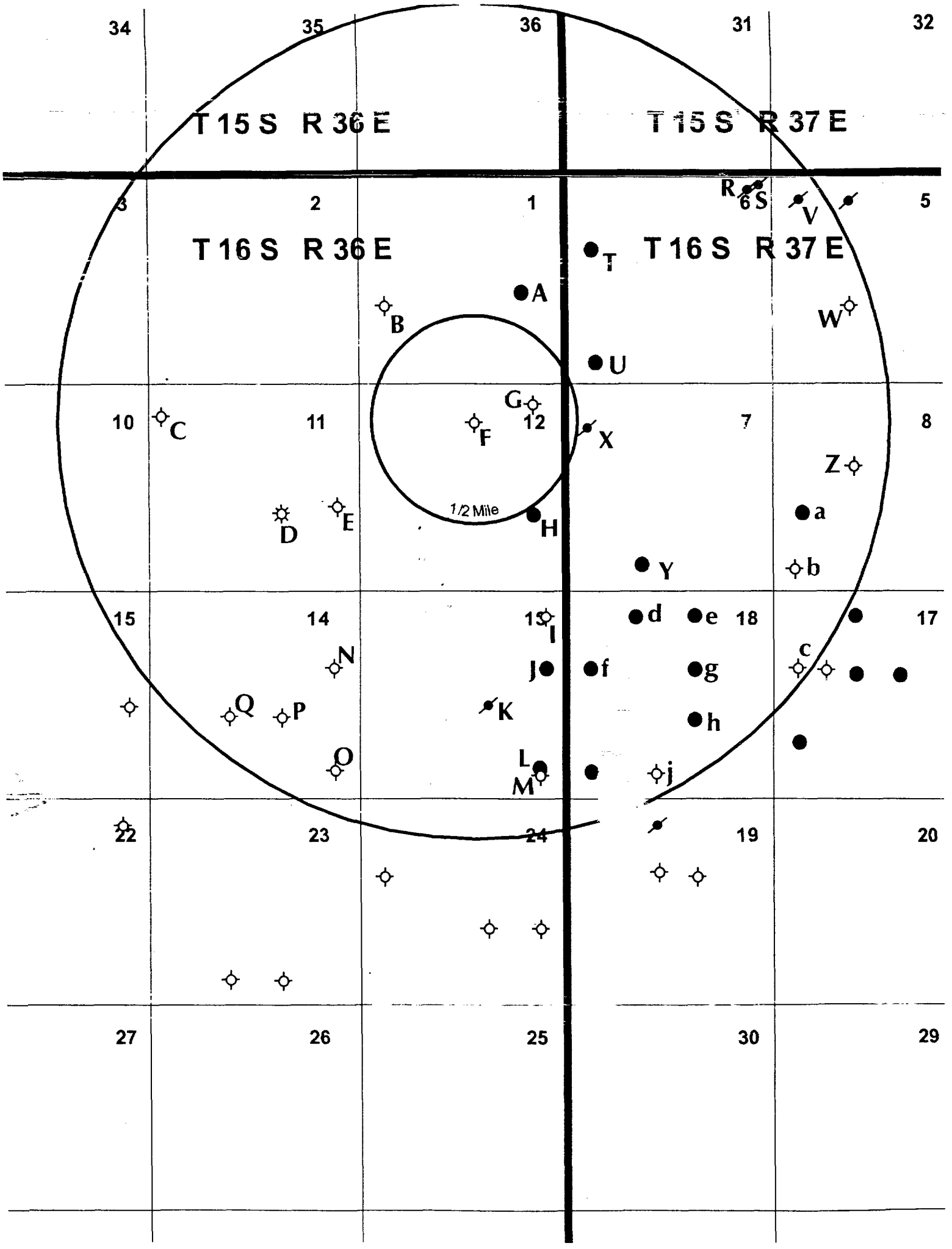
(2) the intended purpose of the injection well; with the exact location of single wells or the section, township, and range location of multiple wells;

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

(4) a notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days.

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

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