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PAUL A. COOTER, Of Counsel

SWD  
6/7/99  
747

9 TOTAL  
6 P+H  
0 REPAIR

May 20, 1999

Ms. Florene Davidson  
New Mexico Energy, Minerals  
& Natural Resources Department  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Re: KCS Medallion Resources, Inc.'s Application for Authorization to Inject  
Water for Saltwater Disposal Purposes, Eddy County, New Mexico

Dear Florene:

KCS Medallion Resources herewith seeks **administrative approval** for its application for authorization to inject water for saltwater disposal purposes in its West Shugart "19" Fed. No. 2 Well located 660' FSL and 1980' FEL, Sec. 19, T18S, R31E in the Queen/Grayburg/San Andres Formations at a depth of from 3100' to 4300'.

Enclosed are two copies of the Division's Form C-108 together with attachments, together with the writer's Affidavit of Mailing and the Affidavit of Publication by the Artesia Daily Press.

We would sincerely appreciate your handing these enclosures to the proper party as the applicant is most anxious to get the project under way. Of course, should something else be needed, or if there are questions unanswered by the enclosures, please call either Perry Hughes at (505) 885-5433 or the writer.

Very truly yours,

Paul A. Cooter

PAC\smb  
enclosure

cc: All parties listed in the Affidavit of Mailing  
Perry Hughes

APPLICATION FOR AUTHORIZATION TO INJECT

- I. Purpose:  Secondary Recovery  Pressure Maintenance  Disposal  Storage  
Application qualifies for administrative approval?  yes  no
- II. Operator: KCS Medallion Resources, Inc.  
Address: 7130 South Lewis Avenue, Suite 700, Tulsa OK 74136-  
Contact party: Perry L. Hughes Phone: (505) 885-5433
- 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: Perry L. Hughes Title Agent  
Signature: Perry L. Hughes Date: 05/03/99
- \* 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.

ATTACHMENT TO OCD FORM C-108

KCS MEDALLION RESOURCES, INC. <sup>Well #</sup>  
West Shugart "19" Federal #2 30-015-30501

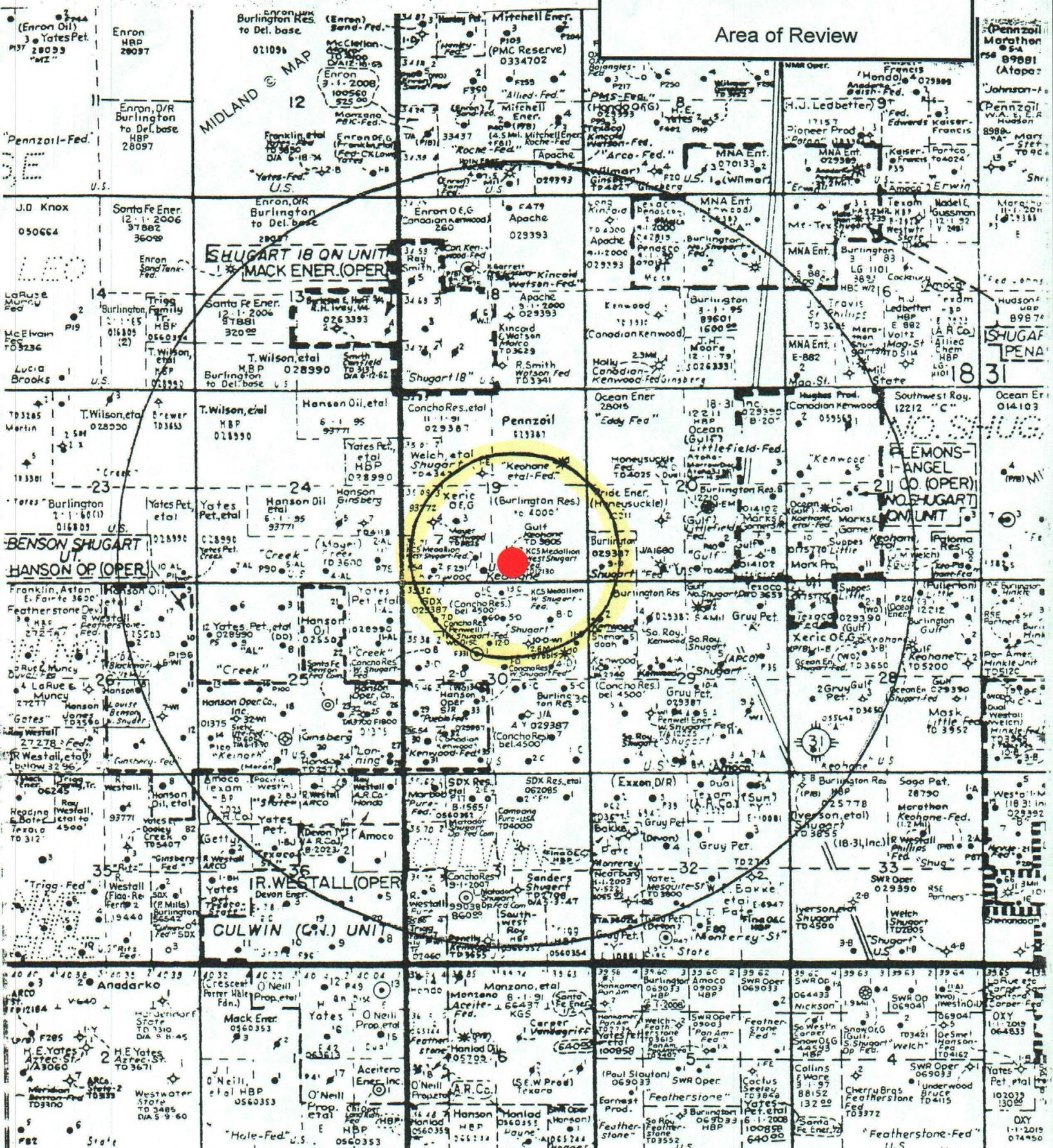
- I. Purpose - Application is made for authorization to inject water into the Queen/Grayburg/San Andres formations underlying the West Shugart "19" Federal #2 Well in Section 19 of Township 18 South, Range 31 East, Eddy County, New Mexico, as shown on the attached Exhibit "A". This is a proposed produced water disposal project.
- II. Operator - KCS Medallion Resources, Inc.  
7130 South Lewis Avenue, Suite 700  
Tulsa, OK 74136-5489  
Agent - Perry L. Hughes  
207 W. McKay  
Carlsbad, NM 88220
- III. Injection Well Data - The required well data and schematic diagram of West Shugart "19" Federal #2 Well is enclosed as Exhibit "B".
- IV. This is not an expansion of an existing project.
- V. Maps - The attached Exhibit "A" identify the proposed injection wells, the Area of Review within one-half mile of a proposed injection well, and all wells and leases within two miles of a proposed injection well.
- VI. Well Data - The well data for the wells within the Area of Review is attached as Exhibit "C" and the well data and schematic diagrams for all plugged and abandoned well bores within the Area of Review are attached as Exhibit "D".
- VII. Proposed Operations:
  1. Proposed average daily injection rate - 500 BWPD/well  
Proposed maximum daily injection rate - 1000 BWPD/well
  2. A closed injection system will be maintained.
  3. An average injection pressure of approximately 1200 psi is anticipated. The maximum injection pressure will be 1850 psi, subject to the injection pressure authorized by the Oil Conservation Division.
  4. The proposed injection fluid will consist of water produced from field wells.
  5. Disposal fluid is produced water from wells in the area. Zones for injection are productive in this general area.

- VIII. Geological Data - The proposed injection interval is in the Queen/Grayburg/San Andres formations at a depth of 3100 to 4300 feet. The Queen formation is predominantly sand. The Grayburg formation primarily consists of quartz sands with dolomitic cementation; while, the San Andres formation primarily consists of dolomite with intermingled stringers of quartz sand with dolomitic cementation. The surface formation is Cretaceous and has no known sources of drinking water.
- IX. Stimulation - Small acid treatments of about 2000 gallons per well should be sufficient to open the perforations for injection.
- X. Logging Data - The available logs are those on file with the Oil Conservation Division from the original operators of the wells. Also attached is a porosity log strip of the subject well.
- XI. Fresh Water Wells - No fresh water wells are known to exist in the area of review.
- XII. Affirmative Statement - See attachment.
- XIII. Proof of Notice - Copies of this C-108 Application have been mailed to the surface owner and to each leasehold operator within one-half mile of the proposed injection wells. An Affidavit of such notice is attached Exhibit "E". Copies of the return receipts will be furnished upon request.

Exhibit "A"

KCS Medallion Resources, Inc.  
Attachment to OCD Form C-108

Area of Review



# Exhibit "B"

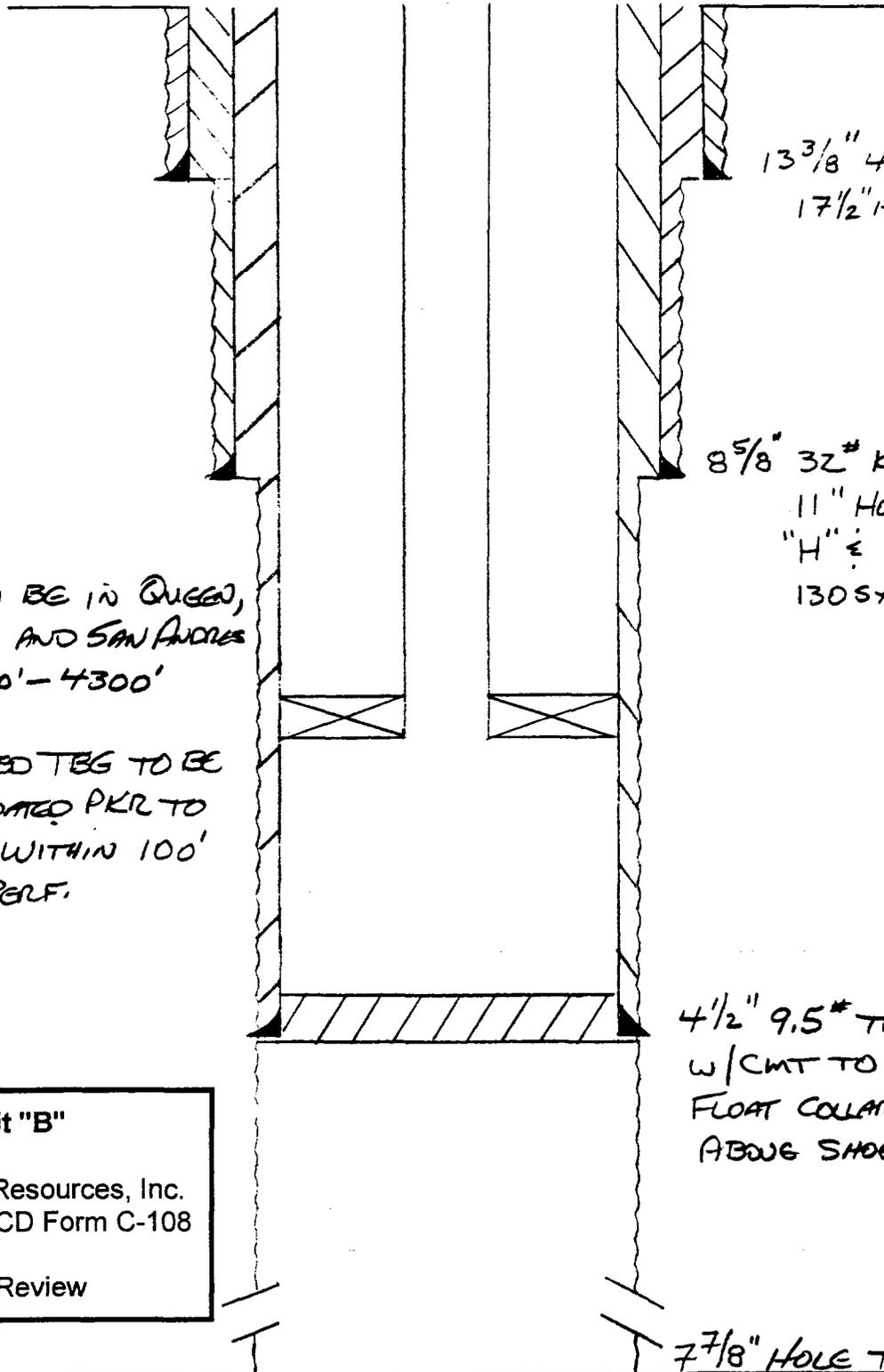
## Well Data and Schematic Diagram of Proposed Injection Well

KCS Medallion Resources, Inc.  
Attachment to OCD Form C-108

KCS MEDALLION RESOURCES, INC.

WEST SHUGART 19 FED. #2

PROPOSED COMPLETION FOR  
SALT WATER DISPOSAL



13 3/8" 48# SA 485' IN  
17 1/2" HOLE - CMT. CIRC.

8 5/8" 32# K-55 SA 2805' IN  
11" HOLE. CMT W/ 635SX  
"H" & 200SX "C" - CIRC  
130SX TO PIT.

PERFS. MAY BE IN QUIGO,  
GRAYBURG AND SAN ANDRES  
FROM 3100' - 4300'

2 3/8" COATED TUBG TO BE  
SET IN COATED PKR TO  
BE SET WITHIN 100'  
OF TOP PERF.

4 1/2" 9.5# TO BE SET AT 4500'  
W/ CMT TO BE CIRC. TO SURFACE.  
FLOAT COLLAR TO BE 2 JTS  
ABOVE SHOE.

7 7/8" HOLE TO 12130'  
PLUGS SET AS SHOWN ON  
ATTACHMENTS.

Exhibit "B"

KCS Medallion Resources, Inc.  
Attachment to OCD Form C-108

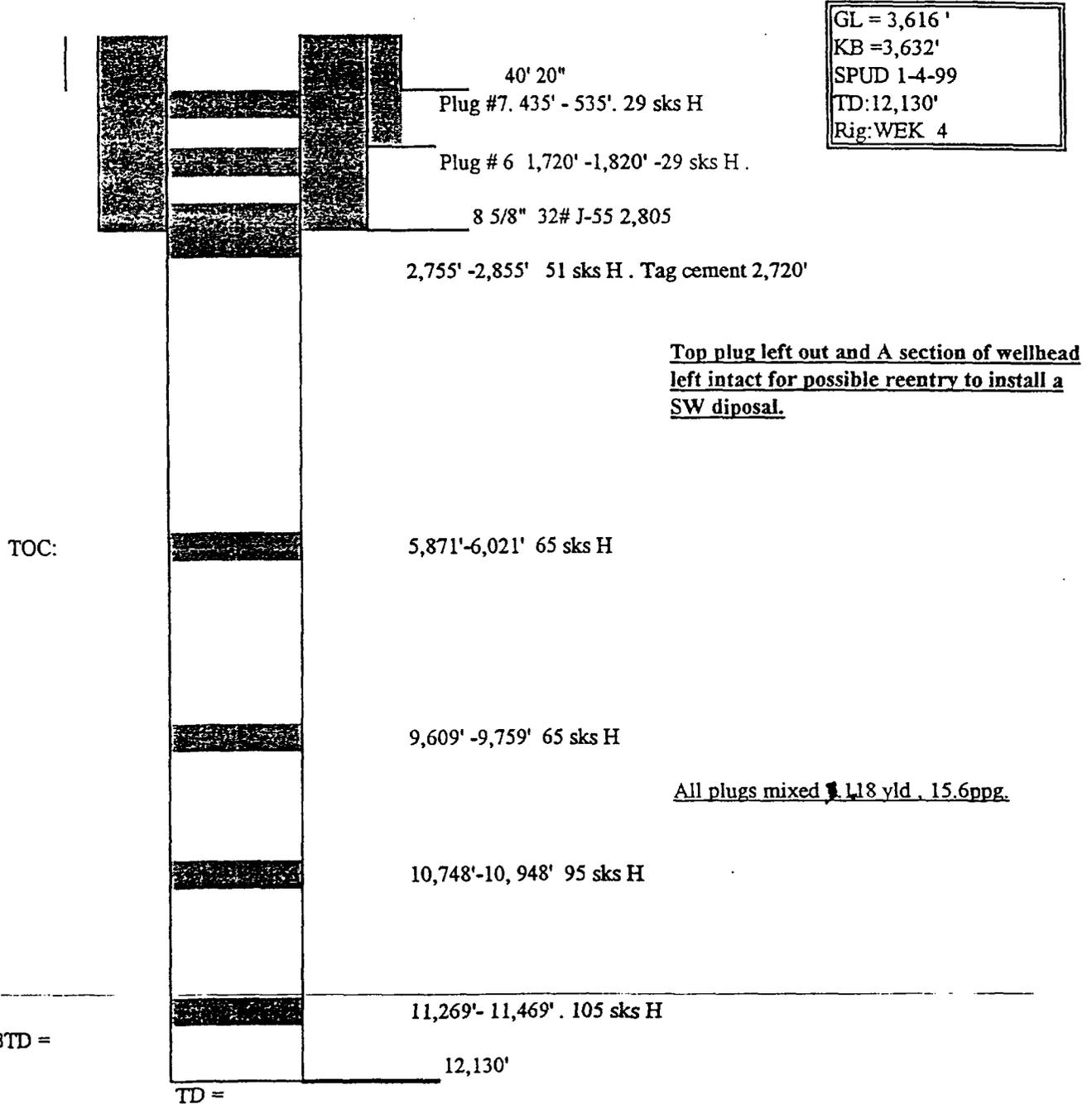
Area of Review

N 5/7/99

KCS MEDALLION RESOURCES, INC.  
 7130 SOUTH LEWIS AVENUE, SUITE 700  
 TULSA, OKLAHOMA 74136

West Shugart 19 Fed #2  
 West Shugart Deep  
 Shugart West  
 660' FSL , 1980' FEL 19-18S-31E  
 Eddy Co. N.M.  
 AFE# 772

CURRENT WELLBORE CONFIGURATION



Prepared by: Larry Wheat  
 Date Prepared: 2-10-99  
 f:\everyone\wellbore\W.Sh19Fed#2

Revision Date  
 Revised By:  
 All measurements from KB unless noted.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.

NM067896

6. If Indian, Allottee or Tribe Name

NA

7. If Unit or CA, Agreement Designation

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well  Gas Well  Other

2. Name of Operator

KCS Medallion Resources, Inc.

3. Address and Telephone No.

7130 S. Lewis, Ste. 700, Tulsa, OK 74136

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

660' FSL + 1930' FEL of  
Sec. 19, T18S, R31E N.M.P.M.

8. Well Name and No.

W. Shugart 19 Federal #2

9. API Well No.

10. Field and Pool, or Exploratory Area

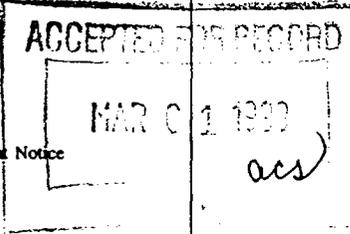
North Shugart Morrow

11. County or Parish, State

Eddy County, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input checked="" type="checkbox"/> Abandonment Temporarily
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water



(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Drilled to 12,130', Logged + Temporarily Abandoned well.

- #1 Plug 11,269 - 11,469', 105 sk "H" 1.18 yld - 15.6 pp9
- #2 Plug 10,748 - 10,948', 95 sk "H" 1.18 yld - 15.6 pp9
- #3 Plug 9,609 - 9,759', 65 sk "H" 1.18 yld - 15.6 pp9
- #4 Plug 5,871 - 6,021', 65 sk "H" 1.18 yld - 15.6 pp9
- #5 Plug 2,755 - 2,855', 51 sk "H" 1.18 yld - 15.6 pp9, Tag @ 2,720'
- #6 Plug 1,720 - 1,820', 29 sk "H" 1.18 yld - 15.6 pp9
- #7 Plug 435 - 535', 29 sk "H" 1.18 yld - 15.6 pp9

No plug was pumped for Top of Surface. Wellhead was not removed and cap was flanged up to secure 8-5/8" CSG.

14. I hereby certify that the foregoing is true and correct

Signed [Signature] Title Dir. Supt. Date 2/22/99

(This space for Federal or State office use)

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

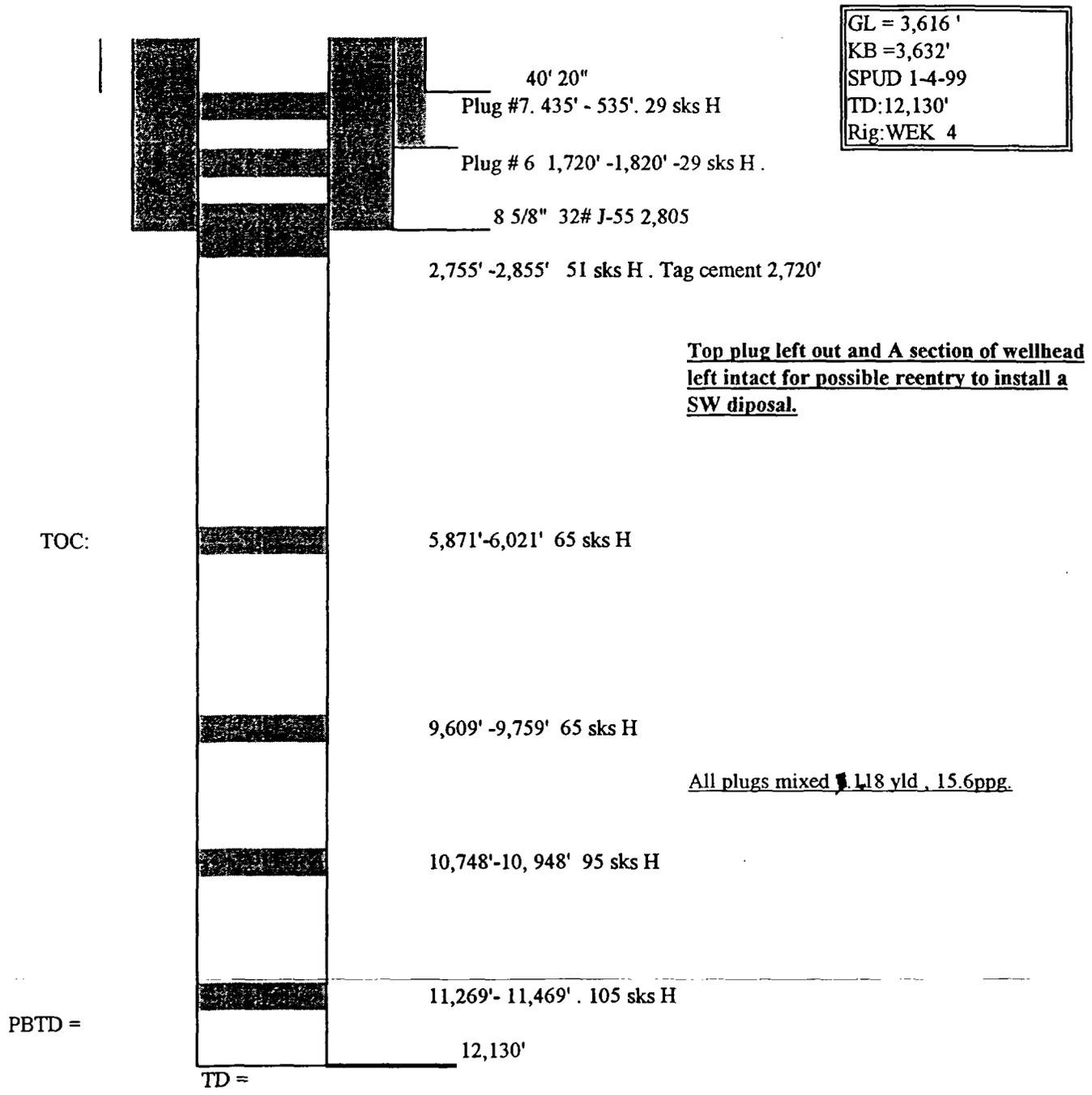
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes 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.

KCS MEDALLION RESOURCES, INC.  
 /130 SOUTH LEWIS AVENUE, SUITE 706  
 TULSA, OKLAHOMA 74136

West Shugart 19 Fed #2  
 West Shugart Deep  
 Shugart West  
 660' FSL , 1980' FEL 19-18S-31E  
 Eddy Co. N.M.  
 AFE# 772

WELLBORE CONFIGURATION



Prepared by: Larry Wheat  
 Date Prepared: 2-10-99  
 f:\everyone\wellbore\W.Sh19Fed#2

Revision Date  
 Revised By:  
 All measurements from KB unless noted.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

(See instructions on reverse side)

FORM APPROVED  
OMB NO. 1004-0137  
Expires: February 28, 1995

LEASE DESIGNATION AND SERIAL NO.

NM 067896

IF INDIAN, ALIOTTEE OR TRIBE NAME

NA

UNIT AGREEMENT NAME

FARM OR LEASE NAME, WELL NO.

W. Shugart 19 Federal #2

API WELL NO.

FIELD AND POOL, OR WILDCAT

North Shugart Morrow

SEC., T., R., M., OR BLOCK AND SURVEY OR AREA

Sec. 19, T18S, R31E  
N. M. P. M.

COUNTY OR PARISH

Eddy

STATE

NM

WELL COMPLETION OR RECOMPLETION REPORT AND LOG \*

1a. TYPE OF WELL: OIL WELL  GAS WELL  DRY  Other \_\_\_\_\_

b. TYPE OF COMPLETION: NEW WELL  WORK OVER  DEEP-EN  PLUG BACK  DIFF. GENVR  Other T+A

2. NAME OF OPERATOR  
KCS Medallion Resources, Inc.

3. ADDRESS AND TELEPHONE NO.  
7130 S. Lewis Ste. 700 Tulsa, OK 74136

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)\*  
At surface 660 FSL + 1930 FEL of Sec. 19

At top prod. interval reported below Same

At total depth Same

14. PERMIT NO. \_\_\_\_\_ DATE ISSUED \_\_\_\_\_

15. DATE SPUDDED 1/4/99 16. DATE T.D. REACHED 2/15/99 17. DATE COMPL. (Ready to prod.) Non Commercial 18. ELEVATIONS (DF, RKB, RT, GR, ETC.)\* 3616 GR 19. ELEV. CASINGHEAD 3616'

20. TOTAL DEPTH, MD & TVD 12,130' 21. PLUG, BACK T.D., MD & TVD 435' 22. IF MULTIPLE COMPL., HOW MANY\* → 23. INTERVALS DRILLED BY → ROTARY TOOLS X CABLE TOOLS

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)\*  
NA - Non Commercial Dry Hole 25. WAS DIRECTIONAL SURVEY MADE No

26. TYPE ELECTRIC AND OTHER LOGS RUN COL-CNL GR, DLL-MLAT GR. 27. WAS WELL CORED No

28. CASING RECORD (Report all strings set in well)

CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
13-3/8	48#	485'	17-1/2	Surface	—
8-5/8"	32# K-55	2805'	11"	Surface; 635 sks "H" lead + 200 sks "C" tail. Circ. 130 sks to pit.	—
—	—	12,130'	7-7/8	—	—

29. LINER RECORD 30. TUBING RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)

31. PERFORATION RECORD (Interval, size and number) 32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
NA	NA

33. PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)					
NA - Dry Hole							
DATE OF TEST	HOURS TESTED	CHOKES SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)	

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) TEST WITNESSED BY

35. LIST OF ATTACHMENTS

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records  
SIGNED [Signature] TITLE Dr. G. Supt. DATE 2/22/99

\*(See Instructions and Spaces for Additional Data on Reverse Side)



# Exhibit "C"

Well Data for  
Wells Within the  
Area of Review

KCS Medallion Resources, Inc.  
Attachment to OCD Form C-108

**Exhibit "C"**  
**Well Data for Wells Within the Area of Review**  
**Attachment to West Shugart "19" Federal #2 C-108**

Well Name	Location	U-S-I-R	Drilled By	Completed	TD	PBTD	Casing	Set At	Cement	Top	Parts	Stimulation	Status
✓ Shugart #13	330' FNL & 2310' FEL	B-30-18-31	Shenandoah Oil Corp.	05/28/78	3850'	3834'	11" / 7 7/8"	747' / 3836'	350 sx / 1300 sx	Circ. / CIRC.	3434-3444' & 3462-3468 (2 JSPF)	800 gal acid / frac w/4000 gal & 40000#	Producing
✓ Shugart D #6-D	990' FNL & 2210' FEL	B-30-18-31	V. S. Welch	02/10/63	3857'	3857'	8 5/8" / 5 1/2"	729' / 3857'	75 sx / 175 sx	374' CIRC. / 3432-3448' & 3482-3492'	3776-3794'	frac w/25000 gal & 25000# / frac w/962 bbls oil & 55000#	Producing
✓ Shugart D #5	990' FNL & 2310' FEL	B-30-18-31	V. S. Welch	01/30/63	3865'	3829'	8 5/8" / 5 1/2"	730' / 3865'	75 sx / 175 sx	360' CIRC. / 3766-3784'	3766-3784'	frac w/1210 bbls oil & 84000# / frac w/6000 gal & 12000#	Producing
✓ Shugart D #9	330' FSL & 330' FWL	M-20-18-31	V.S. Welch	08/08/63	3961'	3800'	8 5/8" / 5 1/2"	679' / 3809'	75 sx / 100 sx	344' CIRC. / 1420' F.	3160'-3204' (squeezed w/600 sx) / 3406'-3456' / 3739'-3756'	frac w/9000 gals & 19000#	P&A
✓ Kenwood Federal #4	830' FWL & 1650' FWL	M-19-18-31	Len Mayer	10/01/64	3825'	3825'	8 5/8"	772'	50 sx	422' CIRC. / None	None	None	P&A
✓ Kenwood Federal #3	1650' FSL & 1490' FWL	K-19-18-31	Len Mayer	03/28/64	3447'	3426'	8 5/8" / 5 1/2"	765' / 3447'	50 sx / 150 sx	518' CIRC. / 212' CIRC. / 3386-3395' (2 SPF)	3386-3418' (squeezed w/800 sx) / 3386-3395' (2 SPF)	frac w/500 bbls oil & 40000#	P&A
✓ Kenwood Federal #2	330' FSL & 834' FWL	M-19-18-31	Len Mayer	10/14/63	3445'	3445'	8 5/8" / 5 1/3"	734' / 3445'	50 sx / 150 sx	487' CIRC. / 2710' CIRC. / 3394-3402' / 3160-3216' (18 holes)	3394-3402' / 3404-3410' / 3420-3429' / 3160-3216' (18 holes)	frac w/480 bbls oil & 23000# / 3000 gal acid / frac w/18000 gal & 38000#	P&A
✓ Kenwood Federal #1	330' FSL & 2154' FWL	N-19-18-31	Len Mayer	08/12/63	3802'	3800'	8 5/8" / 4 1/2"	749' / 3802'	50 sx / 1752 sx	522' CIRC. / 3462-3470' (32 holes)	3404-3409' / 3413-3421' / 3750-3757' / 3761-3764'	frac w/398 bbls oil & 15000# / frac w/600 bbls oil & 31000#	P&A
✓ Keohane et al D Fed #1	660' FSL & 1980' FEL	O-19-18-31	Gulf Oil Corp.	01/23/64	3805'	3540'	8 5/8" / 4 1/2"	245' / 3804'	150 sx / 450 sx	Circ. / 300' F.S. / 3414-3428' / 3432-3438' / 3474-3480' / 2750 gal acid	3414-3428' / 3432-3438' / 3474-3480' / 2750 gal acid	frac w/40000 gal & 40000#	P&A

# Exhibit "D"

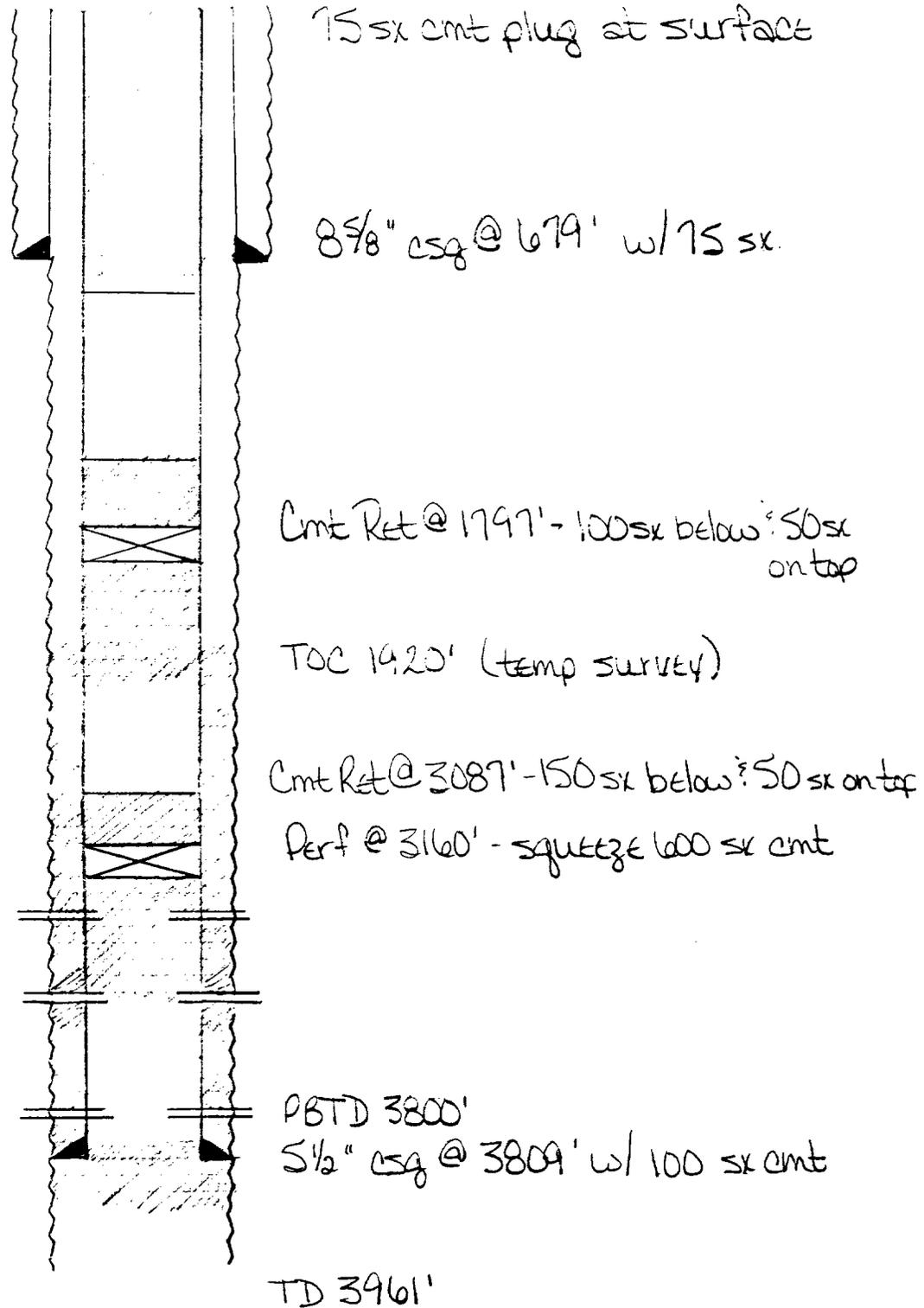
Well Data and  
Schematic Diagrams of  
Plugged and Abandoned  
Well Bores Within the  
Area of Review

KCS Medallion Resources, Inc.  
Attachment to OCD Form C-108

**Exhibit "D"**  
**Well Data of Plugged and Abandoned Wells Within the Area of Review**  
**Attachment to West Shugart "19" Federal #2 C-108**

Well Name	Location	U-S-T-R	Drilled By	Completed	TD	PBTD	Casing	Set At	Cement	Top	Perfs	Stimulation	Status
Shugart D #9	330' FSL & 330' FWL	M-20-18-31	V.S. Welch	08/08/63	3961'	3800'	8 5/8" 5 1/2"	679' 3809'	75 sx 100 sx		3160-3204 (squeezed w/600 sx) 3406-3456' 3739-3756'		P&A
Kenwood Federal #4	830' FWL & 1650' FWL	M-19-18-31	Len Mayer	10/01/64	3825'	3825'	8 5/8"	772'	Cmt Ret @ 3976' - 200 sx Cmt Ret @ 1797' - 150 sx plug @ surface - 75 sx 50 sx	None		None	P&A
Kenwood Federal #3	1650' FSL & 1490' FWL	K-19-18-31	Len Mayer	03/28/64	3447'	3426'	8 5/8" 5 1/2"	765' 3447'	50 sx 150 sx		3386-3418' (squeezed w/800 sx) 3386-3395' (2 SPF)	frac w/500 bbls oil & 40000#	P&A
Kenwood Federal #2	330' FSL & 834' FWL	M-19-18-31	Len Mayer	10/14/63	3445'	3445'	8 5/8" 5 1/3"	734' 3445'	50 sx 150 sx	2710'	3394-3402; 3404-3410; 3420-3429' 3160-3216' (18 holes)	frac w/480 bbls oil & 23000# 3000 gal acid frac w/18000 gal & 38000#	P&A
Kenwood Federal #1	330' FSL & 2154' FWL	N-19-18-31	Len Mayer	08/12/63	3802'	3800'	8 5/8" 4 1/2"	749' 3802'	50 sx 1752 sx		3404-3409; 3413-3421' 3750-3757; 3761-3764' 3462-3470' (32 holes)	frac w/398 bbls oil & 15000# frac w/600 bbls oil & 31000#	P&A
Keohane et al D Fed #1	660' FSL & 1980' FEL	O-19-18-31	Gulf Oil Corp.	01/23/64	3805'	3540'	8 5/8" 4 1/2"	245' 3804'	150 sx 450 sx	Circ.	3414-3428; 3432-3438; 3474-3480' 2750 gal acid frac w/40000 gal & 40000#		P&A

Shugart D#9  
 330' FSL & 330' FWL, Ut M  
 Sec. 20, T18S, R31E  
 Original completion 8/8/63  
 P & A 4/7/85



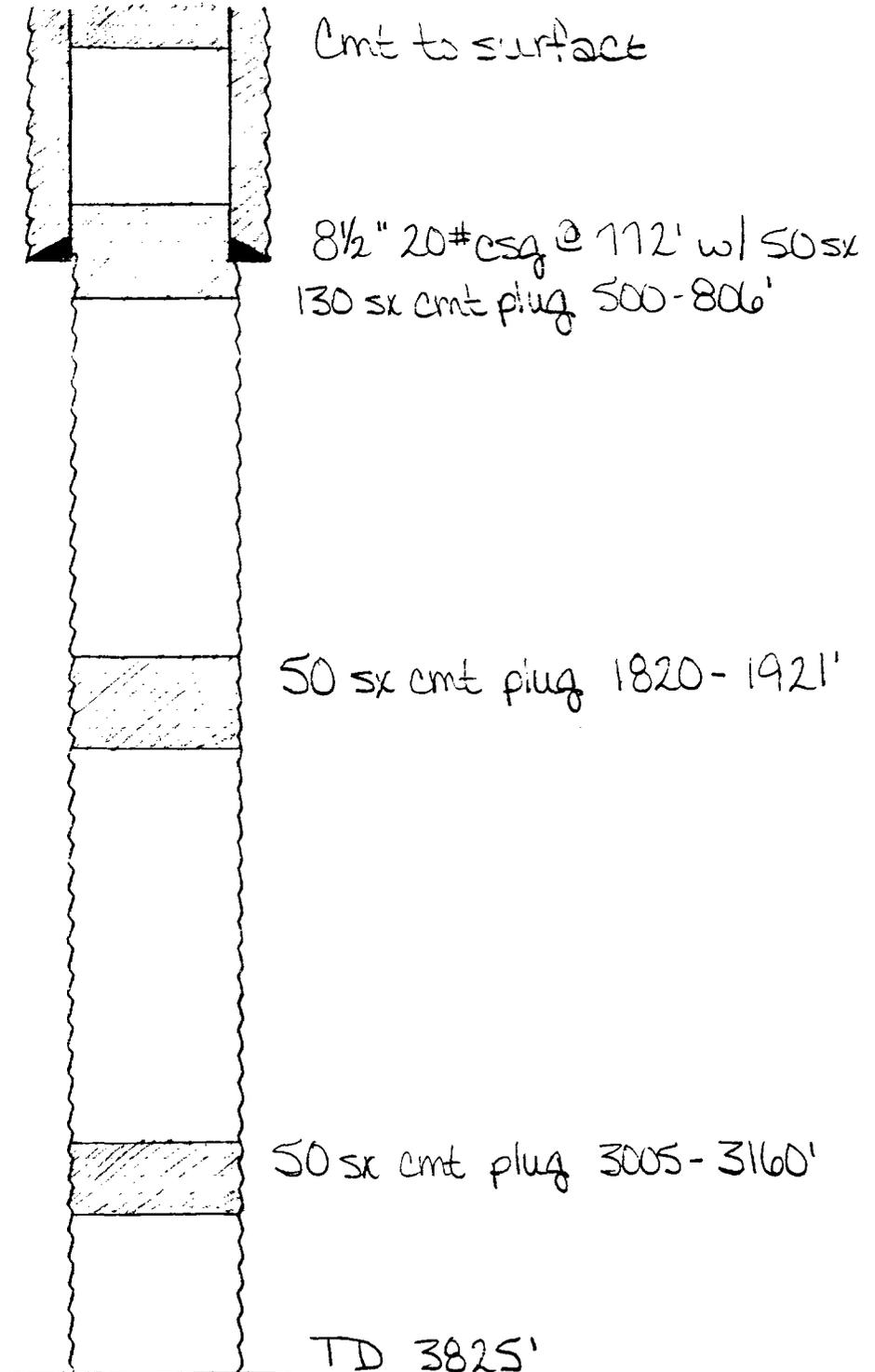
Perfs 3160-3204'

Perfs 3406-3456'

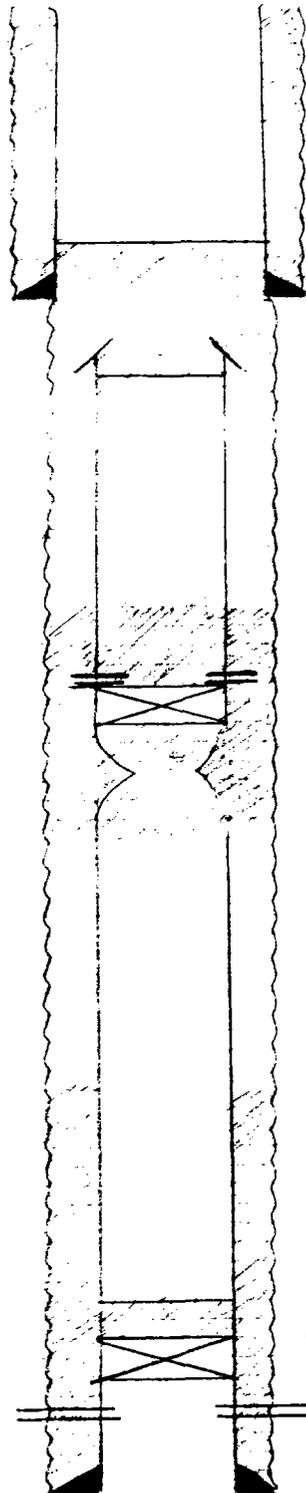
Perfs 3739-3756'

Kenwood Federal #4  
1650' FSL  $\approx$  830' FWL, Ut. L  
Sec 19. T185, R31E

Original completion - capped 12/21/64  
P: A 4/5/84



Kenwood Federal #3  
 1650' FSL & 1490' FWL, Ut. K  
 Sec. 19, T18S, R31E  
 original completion 4/2/64  
 P&A 6/7/95



8 1/2" 20# csg @ 765' w/ 50 sx

Cut & pull 5 1/2" csg @ 823'  
 Cmt plug 670' - 875'

Perf @ 1599' - squeeze 75 sx (top @ 1467')  
 CICK @ 1600' - squeezed 100 sx below

Csg. collapsed @ 1687'

Perfs 3386 - 3395'  
 squeezed w/ 450 sx cmt

CIBP @ 3345' w/ 20 sx cmt on top  
 5 1/2" 15.5# csg @ 3447' w/ 150 sx

PBTD 3426'  
 TD 3447'

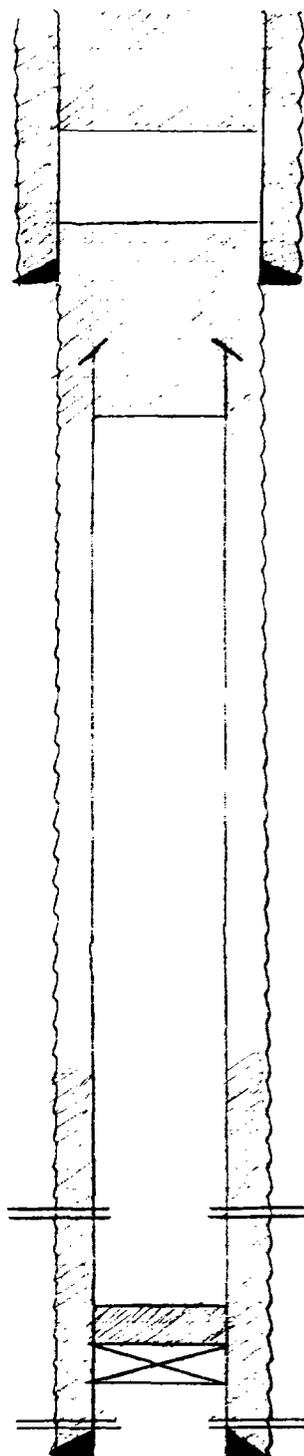
# Kenwood Federal #2

330' FSL & 834' FML, Ut. M

Sec. A, T18S, R31E

original completion 10/18/63

P & A 6/12/95



10 sx cmt plug @ surface

8 1/2" 24# csg @ 734' w/ 50 sx

Cut & pull 5 1/2" csg @ 843'  
Cmt. plug 621' - 900'

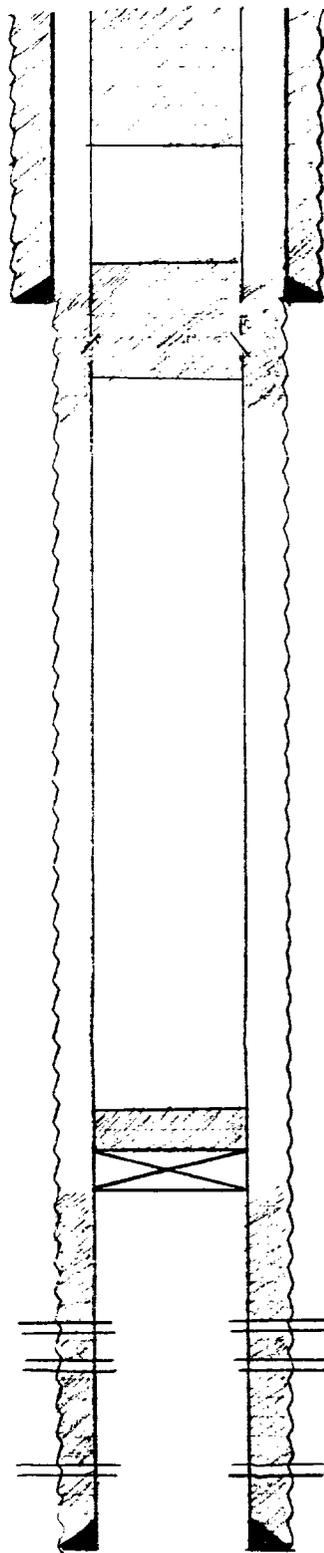
TOC 2710' (CBL)

Perfs 3160 - 3216'

Perfs 3394 - 3429'

CIBP @ 3330' w/ 20' cmt on top  
5 1/2" 14# J-55 csg @ 3445' w/ 150 sx  
TD 3445'

Kenwood Federal #1  
 330' FSL & 2154' FWL, Ut. N  
 Sec. 19, T18S, R31E  
 original completion 8-20-63  
 drilled by Ken Mayer  
 P: A 6/14/95



10 sc cmt plug @ surface

8 5/8" 28# csg @ 749' w/ 50 sc

Cut csg @ 847' - not loose  
 Squeeze 15 sc cmt  
 Top of plug @ 647'

CIBP @ 3300' w/ 35' cmt on top

Perfs 3404-3421'

Perfs 3462-3470'

Perfs 3750-3764'

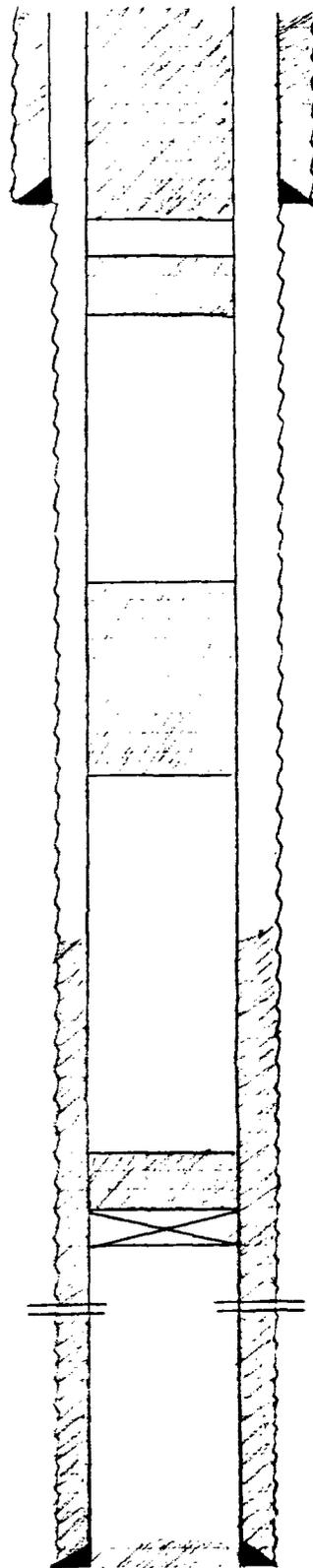
4 1/2" 9 1/2# csg @ 3802' w/ 175 sc

TD 3802'

Keohane et al "D" Federal #1  
660' FSL & 1980' FEL, Unit D  
Sec. 19, T18S, R31E

Original completion 1/28/64  
drilled by Gulf Oil Corp.

P&A 6/21/89



25 slug cement plug  
surf - 270'

11" hole to 246'

8 7/8" 24# J-55 casing @ 245'  
w/150 slug cement (circ).

10 slug cement plug  
597' - 741'

20 slug cement plug  
1678' - 2000'

CIBP @ 3350' w/35 slug cement

Perfs 3414 - 3480 2 slug

4 1/2" - 9 1/2# casing @ 3793'  
w/450 slug cement.

7 7/8" hole to TD 3804'



COMPENSATED Z-DENSLOG<sup>SM</sup>  
 COMPENSATED NEUTRON LOG  
 GAMMA RAY LOG

Baker Atlas

FILE NO: 8977	COMPANY KCS MEDALLION RESOURCES, INC	WELL WEST SHUGART "19" FEDERAL # 2	FIELD NORTH SHUGART MORROW	COUNTY EDDY	STATE NEW MEXICO
API NO:	LOCATION: 660' FSL & 1930' FEL	SEC 19	TWP 18S	RGE 31E	OTHER SERVICES DLL/MILL/GR
Ver 3.19 FINAL PRINT	G.L. ELEVATION 3616 FT	K.B. 14 FT	ABOVE P.D.	KB 3630 FT	DF 3629 FT
PERMANENT DATUM	DRILL MEAS. FROM	K.B.		GL 3616 FT	
DATE 05-FEB-1999	RUN 1	TRIP 1			
SERVICE ORDER 293309	DEPTH DRILLER 12130 FT	DEPTH LOGGER 11991 FT	BOTTOM LOGGED INTERVAL 11950 FT	TOP LOGGED INTERVAL 0 FT	
CASING-DRILLER 2802 FT	CASING LOGGER 7.875 IN	TYPE OF FLUID IN HOLE CUT BRINE/SHEARDRI	DENSITY 9.7 LB/G	VISCOSITY 40 S	PH 10
BIT SIZE 7.875 IN	SOURCE OF SAMPLE CIRC. TANK	RM AT MEAS. TEMP. .0534 OHMM	RMF AT MEAS. TEMP. .0534 OHMM	RMC AT MEAS. TEMP. 0	SOURCE OF RMF MEASURED
RM AT BHT 0.026 OHMM	TIME SINCE CIRCULATION 6.5 HOURS	MAX. RECORDED TEMP. 152 DEGF	EQUIP. NO. HL-6611	LOCATION HOBBBS, NM	RECORDED BY J. ANTEE
WITNESSED BY B. SIRUTA					

IN MAKING INTERPRETATIONS OF LOGS OUR EMPLOYEES WILL GIVE CUSTOMER THE BENEFIT OF THEIR BEST JUDGEMENT. BUT SINCE ALL INTERPRETATIONS ARE OPINIONS BASED ON INFERENCES FROM ELECTRICAL OR OTHER MEASUREMENTS, WE CANNOT, AND WE DO NOT GUARANTEE THE ACCURACY OR CORRECTNESS OF ANY INTERPRETATION. WE SHALL NOT BE LIABLE OR RESPONSIBLE FOR ANY LOSS, COST, DAMAGES, OR EXPENSES WHATSOEVER INCURRED OR SUSTAINED BY THE CUSTOMER RESULTING FROM ANY INTERPRETATION MADE BY ANY OF OUR EMPLOYEES.

BOREHOLE RECORD

BIT SIZE	FROM	TO
17.5 IN	0 FT	486 FT
11.0 IN	486 FT	2805 FT
7.875 IN	2805 FT	12130 FT

CASING RECORD

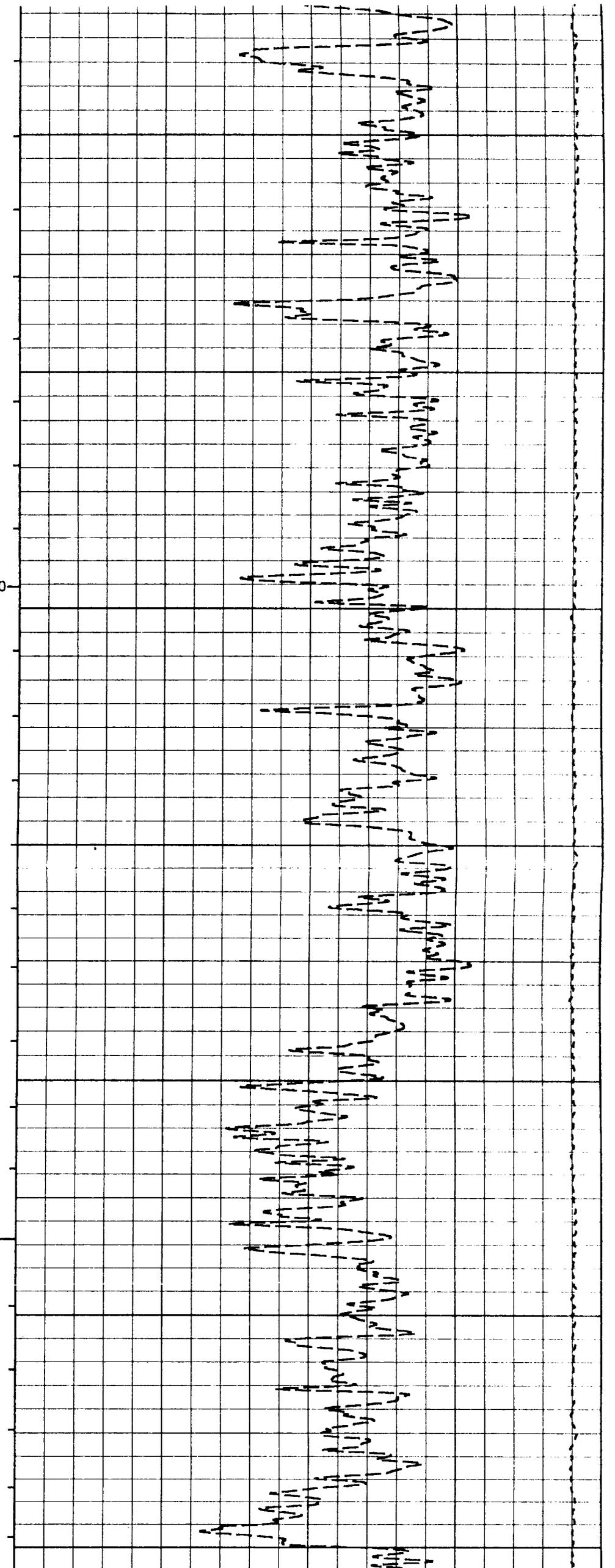
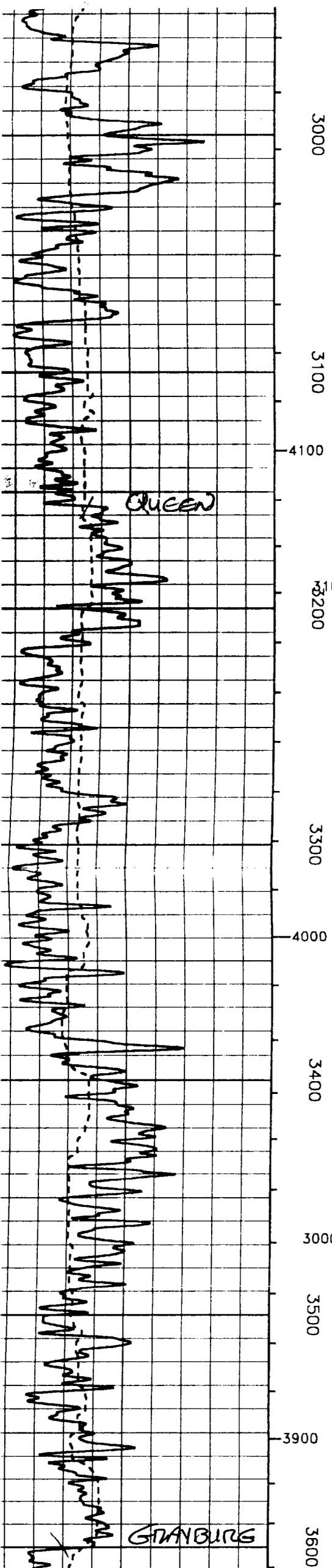
SIZE	WEIGHT	GRADE	FROM	TO
13 3/8	48 LB/F	H-40	0 FT	486 FT
8.625 IN	32 LB/F	J-55	0 FT	2805 FT
4.5 IN				

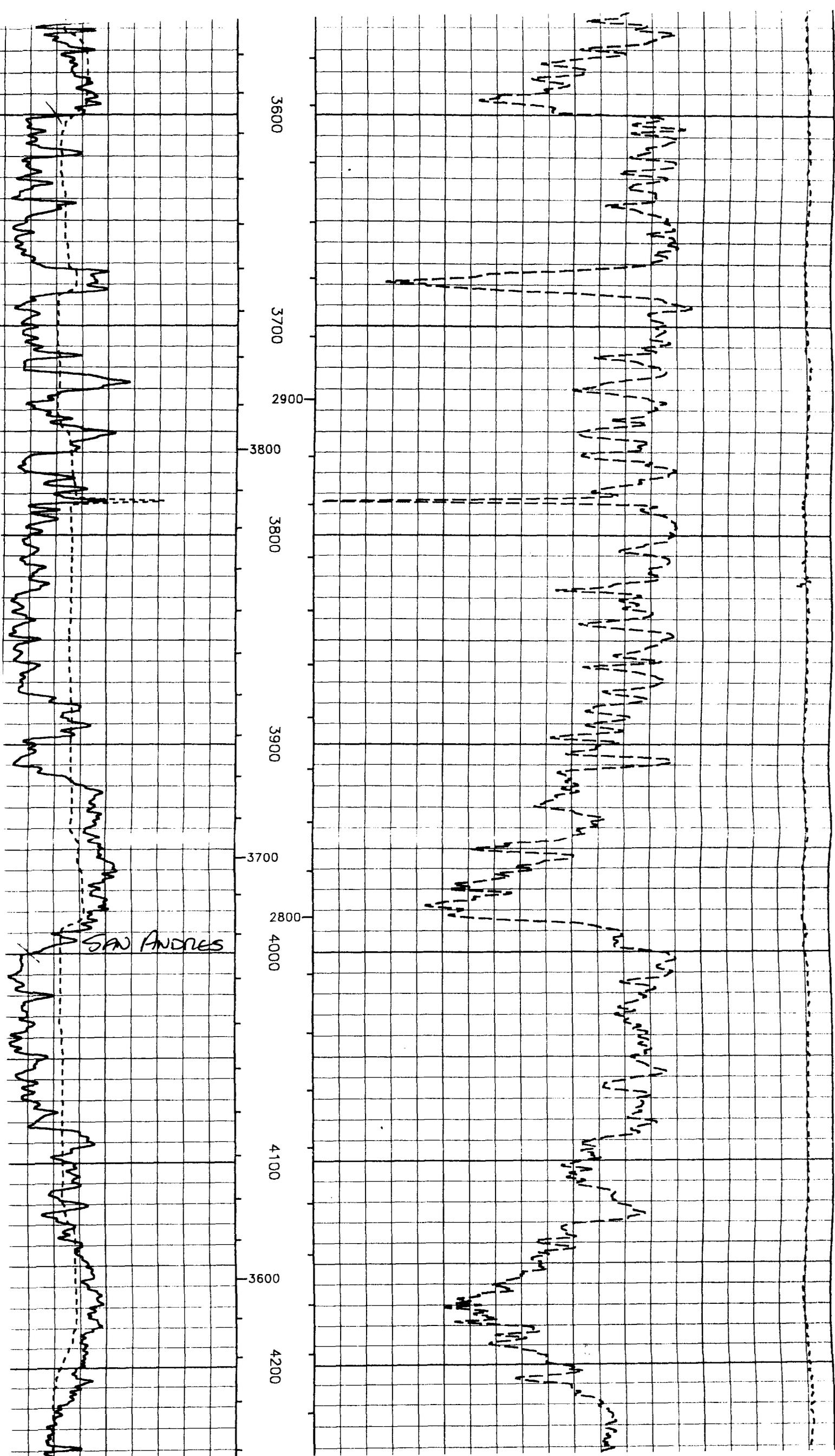
REMARKS

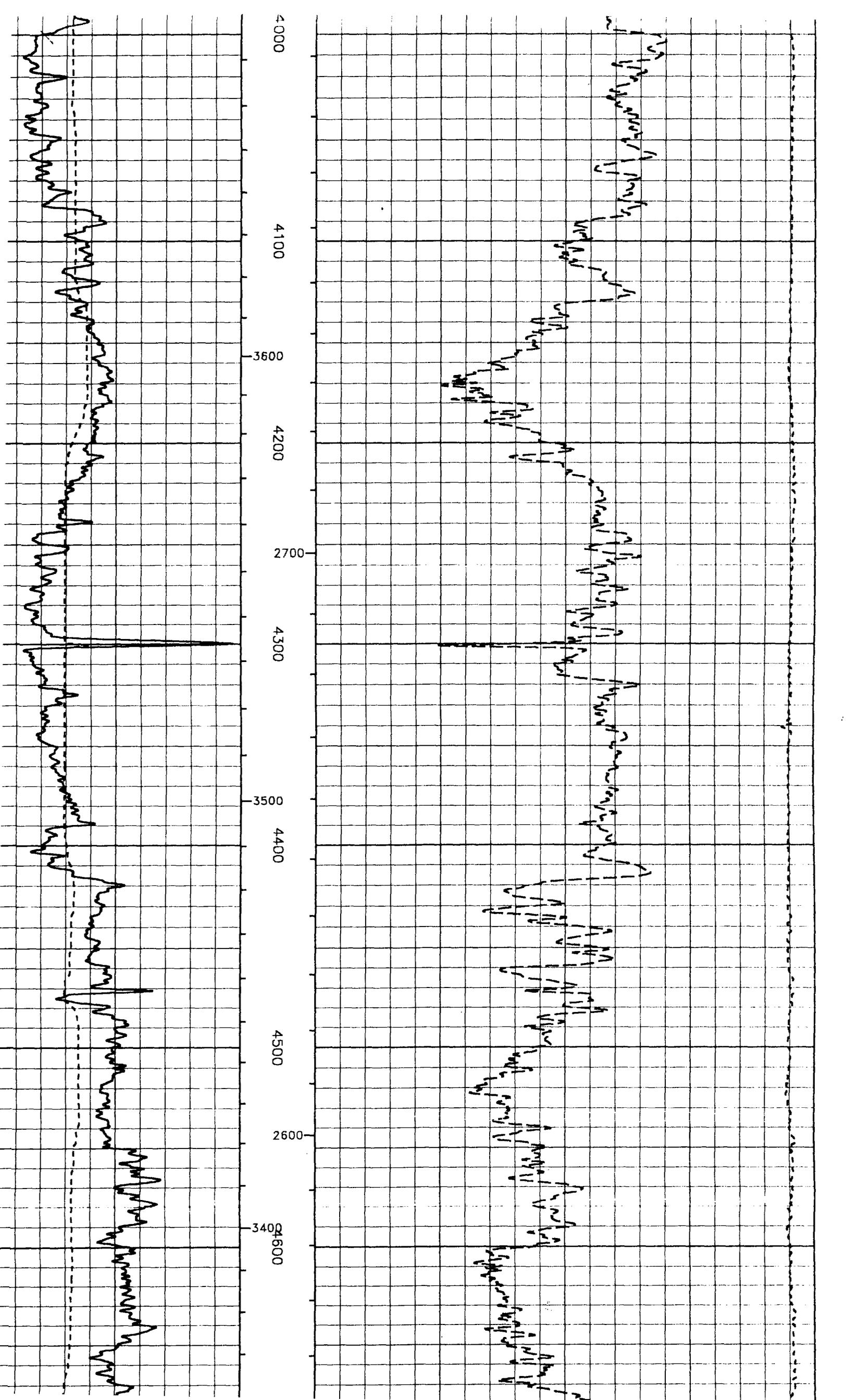
RUN 1 TRIP 1 : NACL = 166,465 PPM  
 CNC IS CALIPER AND CASING CORRECTED  
 CVOL IS BVOL - 4.5 " CASING O.D.  
 BVOL IS TOTAL BOREHOLE VOLUME  
 CPPZ NOT PRESENTED AT BILL SIRUTA'S REQUEST  
 CNC AND PORZ RUN ON A LIMESTONE MATRIX  
 CREW: RUSTY HUTCHERSON & FRED HUDGINS

EQUIPMENT DATA

RUN	TRIP	TOOL	SERIES NO.	SERIAL NO.	POSITION
1/2	1	WTS	3510XB	186133	FREE
1/2	1	GR	1329XB	179409	FREE
1/2	1	CN	2446XA	173098	DECENT
1/2	1	ZDL-E	2228EA	185960	FREE
1/2	1	ZDL	2228MA	185980	PINNED-PAD
1/2	1	ZDL-C	2228MA	185980	ONE-ARM OPEN
1/2	1	SLAD	3516XA	176916	FREE
1/2	1	ISO	3967XB	118510	FREE
1/2	1	DLL-E	1239EA	179362	FREE
1/2	1	DLL	1239MA	188295	CENT
1/2	1	MLL	3104XA	113194	PAD-DEVICE







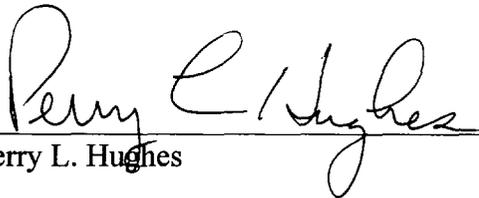
**AFFIDAVIT**

STATE OF NEW MEXICO  
COUNTY OF EDDY

Perry L. Hughes, Affiant, being first duly sworn upon his oath, deposes and states that I graduated from West Virginia University in 1965 with a B.S. degree in Petroleum Engineering and since that time I have been associated with the oil industry in various capacities, both within the United States and overseas. For the last 15 years, I have been a consulting petroleum engineer and an independent producer in West Texas and Southeastern New Mexico.

I am familiar with the land on which the proposed salt water disposal well is situate and have examined the available geologic and engineering data there for. I have found no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.

Further, Affiant says not.

  
Perry L. Hughes

This instrument was sworn and subscribed to before me on May 7, 1999 by Perry L. Hughes.

  
Notary Public



My commission expires: November 6, 2000

Exhibit "E"

**AFFIDAVIT OF MAILING**

Paul A. Cooter, being duly sworn, states that he mailed a copy of the Application of Shahara Oil, LLC on May 20, 1999 to the following named individuals and entities, as evidenced by the attachments hereto, to wit:

Surface Owner

United States Department of  
the Interior  
2909 W. Second  
Roswell, NM 88201

Offset Operators:

Pennzoil  
PO Box 50090  
Midland, TX 79710-0090

Burlington Resources  
2310 Gulf ve.  
Midland, TX 79705

Ocean Energy, Inc.  
4305 N. Garfield, Suite 237  
Midland, TX 79705

Grazing Permittee

Richardson Cattle Company  
PO Box 487  
Carlsbad, NM 88220

Xeric Oil & Gas Corporation  
PO Box 352  
Midland, TX 79702-0352

Pride Energy  
PO Box 2948  
Midland, TX 79702

Concho Resources, LLC  
110 W. Louisiana, Suite 410  
Midland, TX 79701



Paul A. Cooter

State of New Mexico  
County of Bernalillo

Subscribed and sworn to by Paul A. Cooter this 20<sup>th</sup> day  
of May, 1999.

  
Notary Public

(Seal, if any)

My commission expires 9/4/02



OFFICIAL SEAL  
Suzanne M. Bowersock  
NOTARY PUBLIC - STATE OF NEW MEXICO  
Notary Public Filed with Secretary of State  
My Commission Expires \_\_\_\_\_

# Affidavit of Publication

NO. 16584

STATE OF NEW MEXICO

County of Eddy:

Gary Scott being duly

sworn, says: That he is the Publisher of The

Artesia Daily Press, a daily newspaper of general

circulation, published in English at Artesia, said county

and county and state, and that the here to attached

### Legal Notice

was published in a regular and entire issue of the said

Artesia Daily Press, a daily newspaper duly qualified

for that purpose within the meaning of Chapter 167 of

the 1937 Session Laws of the state of New Mexico for

1 consecutive weeks/days on the same

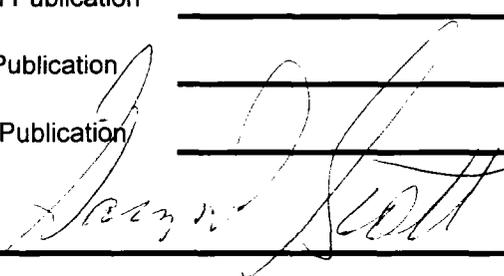
day as follows:

First Publication May 14 1999

Second Publication \_\_\_\_\_

Third Publication \_\_\_\_\_

Fourth Publication \_\_\_\_\_



Subscribed and sworn to before me this

14th day of May 1999

Barbara Ann Beans  
Notary Public, Eddy County, New Mexico

My Commission expires September 23, 1999

# Copy of Publication:

### LEGAL NOTICE

#### NOTICE OF FILING APPLICATION FOR AUTHORIZATION TO INJECT

KCS Medallion Resources, Inc., 7130 South Lewis Avenue, Suite 700, Tulsa, OK 74136, 505-885-5433 Agent Mr. Perry L. Hughes, is seeking approval from the New Mexico Oil Conservation Division to inject in its West Shugart "19" Federal #2 Well, located 660' FSL and 1980' FEL, Sec 19, T18S, R31E, NMPM, Eddy County, New Mexico for water disposal in the Queen/Grayburg/San Andres Formations at a depth of from 3100' to 4300'. KCS Medallion Resources, Inc. intends to inject a maximum of 1,000 BWPD at a maximum injection pressure of 1850 psi.

Interested parties must file objections or requests for hearing with the Oil Conservation Division, 2040 South Pacheco, Santa Fe, NM 87505, within 15 days.

Published in the Artesia Daily Press, Artesia, N.M. May 14, 1999.

Legal 16584

# ILLEGIBLE

# Affidavit of Publication

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### Legal Notice

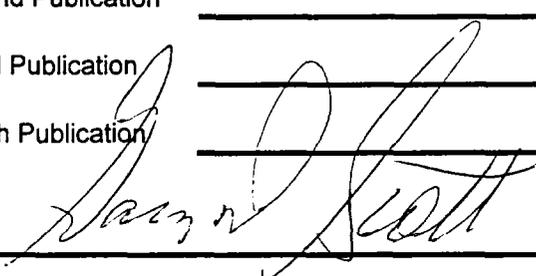
was published in a regular and entire issue of the said  
Artesia Daily Press, a daily newspaper duly qualified  
for that purpose within the meaning of Chapter 167 of  
the 1937 Session Laws of the state of New Mexico for  
1 consecutive weeks/days on the same  
day as follows:

First Publication May 14 1999

Second Publication \_\_\_\_\_

Third Publication \_\_\_\_\_

Fourth Publication \_\_\_\_\_



Subscribed and sworn to before me this

14th day of May 1999

Burke Han Beans  
Notary Public, Eddy County, New Mexico

My Commission expires September 23, 1999

# Copy of Publication:

### LEGAL NOTICE

NOTICE OF FILING APPLICA-  
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TO INJECT

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7130 South Lewis Avenue, Suite  
700, Tulsa, OK 74136. 505-885-  
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R31E, NMPM, Eddy County,  
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Resources, Inc. intends to inject a  
maximum of 1,000 BWPD at a  
maximum injection pressure of  
1850 psi.

Interested parties must file objec-  
tions or requests for hearing with  
the Oil Conservation Division,  
2040 South Pacheco, Santa Fe,  
NM 87505, within 15 days.

Published in the Artesia Daily  
Press, Artesia, N.M. May 14,  
1999.

Legal 16584

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

June 8, 1999

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

**HAND DELIVERED**

Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505  
Attn: Mr. David R. Catanach

99 JUN - 8 PM 2: 23  
OIL CONSERVATION DIV.

Re: **NOTICE OF OBJECTION:**  
***KCS Medallion Resources, Inc.***  
***West Surgart "19" Federal Well No. 2***  
***Unit O, Section 19, T18S, R31E, NMPM,***  
***Administrative Application to NMOCD***  
***for Salt Water Disposal, Eddy County, New Mexico***

Dear Mr. Catanach:

By letter dated May 25, 1999, KCS Medallion Resources, Inc. sent notification to the offsetting operators/interest owners of the referenced request.

On behalf of Burlington Resources Oil & Gas Company, as an offsetting interest owner in Section 19, we hereby object to the referenced application by KCS Medallion Resources, Inc. for approval of this wellbore for salt water disposal described in its administrative application to the Division.

We request that this matter be set for hearing and that Burlington Resources Oil & Gas Company be provided notification of the hearing in accordance with Division notice rules.

Very truly yours,

W. Thomas Kellahin

cc: *KCS Medallion Resources, Inc.*  
cc: *Burlington Resources Oil & Gas Company*  
*Attn: Rick Gallegos*

FAX COVER PAGE

EASTHAM JOHNSON MONNHEIMER & JONTZ, P.C.
ATTORNEYS AT LAW
500 Marquette, N.W., Suite 1200
Albuquerque, New Mexico 87102-2121

(505) 247-2315

FAX (505) 764-5480

IMPORTANT/CONFIDENTIAL: This message is intended only for the use of the individual or entity to which it is addressed. This message contains information from the law firm of EASTHAM JOHNSON MONNHEIMER & JONTZ, P.C., which may be privileged, confidential and exempt from disclosure under applicable law.

Date: June 18, 1999

No. of Pages: 2 (including this cover page)

ORIGINALS WILL FOLLOW BY MAIL: Yes.

PLEASE DELIVER TO:

Form with fields: Name Perry Hughes, Company Shahara Oil LLC, Fax 505-885-4989

Form with fields: Name Ben Stone, Company NM Oil Conservation Div., Fax 505-827-8177

FROM:

Form with fields: Sender's Name Paul A. Cooter, Person to Contact Sue Bowersock, File Number 12441.00010

COMMENTS:

IN CASE OF A PROBLEM WITH THIS FAX TRANSMISSION, CALL THE SENDER AT (505) 247-2315



June 18, 1999

ATTORNEYS AT LAW

500 Marquette NW  
Suite 1200  
Albuquerque, NM  
87102-5311

P.O. Box 1276  
87103-1276

505-247-2315

Facsimile  
505-764-5480

By Fax and First Class Mail

Mr. Ben Stone  
New Mexico Energy, Minerals  
& Natural Resources Department  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Re: KCS Medallion Resources, Inc.'s Application for Authorization to Inject  
Water for Saltwater Disposal Purposes, Eddy County, New Mexico

Dear Ben:

On May 20 I forwarded to the Division the captioned application for  
administrative approval. You subsequently advised me that the same would  
be granted under SWD 747.

Would you please hold that matter in abeyance without entry of the  
order until the two of us may discuss the matter further?

Appreciating your courtesy, I am

Very truly yours,

Paul A. Cooter

- JOHN P. EASTHAM
- ROBERT A. JOHNSON
- DONALD B. MONNHEIMER
- DENNIS E. JONTZ
- D. JAMES SORENSON
- BRUCE E. CASTLE
- JAMES L. RASMUSSEN
- STEPHEN R. NELSON
- A. DREW HOFFMAN
- R. THOMAS DAWE
- KATHLEEN DAVISON LEBECK
- MARILYN C. O'LEARY
- ROSS L. CROWN
- P. RENEE REIMER
- CLINTON W. MARRS
- NICKAY B. MANNING
- CHARLOTTE LAMONT
- ALAN HALL
- JAMES T. REIST
- KARLA K. POE
- JEFFREY H. ALBRIGHT
- RICARDO M. CONTRERAS
- PAUL A. COOTER, Of Counsel

PAC\smb  
cc by fax: Perry Hughes



Eastham  
Johnson  
Monnheimer  
& Jontz, P.C.

ATTORNEYS AT LAW

500 Marquette NW  
Suite 1200  
Albuquerque, NM  
87102-5311

P.O. Box 1276  
87103-1276

505-247-2315

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JOHN P EASTHAM  
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DONALD B MONNHEIMER  
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D JAMES SORENSON  
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ALAN HALL  
JAMES T REIST  
KARLA K POE  
JEFFREY H ALBRIGHT  
RICARDO M CONTRERAS

PAUL A COOTER Of Counsel

June 18, 1999

By Fax and First Class Mail

Mr. Ben Stone  
New Mexico Energy, Minerals  
& Natural Resources Department  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

Re: KCS Medallion Resources, Inc.'s Application for Authorization to Inject  
Water for Saltwater Disposal Purposes, Eddy County, New Mexico

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Very truly yours,

Paul A. Cooter

PAC\smb  
cc by fax: Perry Hughes

*[Faint handwritten notes and stamps]*



Eastham  
Johnson  
Monnheimer  
& Jontz, P.C.

ATTORNEYS AT LAW

500 Marquette NW  
Suite 1200  
Albuquerque, NM  
87102-5311

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D. JAMES SORENSON  
BRUCE E. CASTLE  
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ALAN HALL  
JAMES T. REIST  
KARLA K. POE  
JEFFREY H. ALBRIGHT  
RICARDO M. CONTRERAS  
PAUL A. COOTER Of Counsel

November 15, 1999

NOV 16 1999

Mr. Ben Stone  
New Mexico Energy, Minerals &  
Natural Resources Department  
Oil Conservation Division  
2440 S. Pacheco Street  
Santa Fe, NM 87505

Re: SWD 747 - KCS Medallion Resources' Supplemental Application  
for Authorization to Inject Water for Salt Water Disposal Purposes  
Eddy County, New Mexico

Dear Ben:

Forwarded to you is KCS Medallion Resources' Supplemental Application for authorization to inject water for salt water disposal purposes in the West Shugert "19" Fed. No. 2 Well in S19, T18S, R31E, Eddy County, New Mexico. The original application was filed on or about May 20.

By letter to you dated June 18, I asked that the matter be held in abeyance until that application might be supplemented. That supplemental application is forwarded to you with this letter with the following comments:

1. The title problems to the well bore have been resolved as evidenced by the Waste Water Disposal Agreement dated August 10, 1999 by and between Chevron and KCS Medallion Resources, a copy of which is enclosed with the supplemental Form C-108. In addition, Burlington Resources Oil and Gas Co. assigned all its interests in that SW/4 SE/4 Sec. 19 from the surface to the depth of 4,000' to KCS Medallion Resources. A copy of that assignment is also enclosed.
2. As you will note from a review of the supplemental Form C-108, KCS Medallion Resources extends the depth of its proposed salt water disposal operations through the Delaware Formation so that the proposed injection interval is from 3100' to 5500'. The initial perforated interval will be from 5307' to 5492'. Exhibit B, being the well data and schematic diagram of the proposed

November 15, 1999

Page 2

injection well, has been revised to reflect this change. The log of the disposal well has been expanded to include all the injection intervals.

3. Copies of this supplemental Form C-108 have been mailed to all interested parties, as reflected by Mr. Hughes' affidavit of mailing (Exhibit E).
4. Notice of this supplemental filing has been published in the *Artesia Daily Press* on November 7. A copy of the affidavit of publication is also forwarded to you with this letter, and while this copy is not legible, the original is being mailed to me and I will forward the same to you as soon as it is received.

As previously stated, KCS Medallion Resources seeks **administrative approval** for authorization to inject water for salt water disposal purposes in the West Shugert "19" Fed. No. 2 Well, located 660 FSL and 1980' FEL, S19, T18S, R31E. Should something else be needed prior to your approval of the application, or if there are questions unanswered by the enclosures, please call either Perry Hughes at 505/885-5433 or the writer.

Appreciating your courtesy, I am

Very truly yours,



Paul A. Cooter

PAC\smb  
enclosure

cc: Perry Hughes  
U.S. Department of the Interior  
Richardson Cattle Company  
Pennzoil  
Xeric Oil & Gas Corporation  
Pride Energy  
Burlington Resources  
Concho Resources, LLC  
Ocean Energy, Inc.  
Chevron USA Prod.

Supplemental  
APPLICATION FOR AUTHORIZATION TO INJECT

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

II. Operator: KCS Medallion Resources, Inc.  
Address: 7130 South Lewis Avenue, Suite 700, Tulsa OK 74136  
Contact party: Perry L. Hughes, Agent Phone: (505) 885-5433  
207 W McKay, Carlsbad, NM 88220

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: Perry L. Hughes Title Agent

Signature: Perry L. Hughes Date: 11/4/99

\* 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. The prior C-108 was submitted to the Division May 20, 1999. This Supplemental form was revised to include the deeper Delaware formation down to 5500'.

ATTACHMENT TO OCD FORM C-108

KCS MEDALLION RESOURCES, INC.  
West Shugart "19" Federal #2

- I. Purpose - Application is made for authorization to inject water into the Queen/Grayburg/San Andres/Delaware formations underlying the West Shugart "19" Federal #2 Well in Section 19 of Township 18 South, Range 31 East, Eddy County, New Mexico, as shown on the attached Exhibit "A". This is a proposed produced water disposal project.
- II. Operator - KCS Medallion Resources, Inc.  
7130 South Lewis Avenue, Suite 700  
Tulsa, OK 74136-5489  
Agent - Perry L. Hughes  
207 W. McKay  
Carlsbad, NM 88220
- III. Injection Well Data - The required well data and schematic diagram of West Shugart "19" Federal #2 Well is enclosed as Exhibit "B".
- IV. This is not an expansion of an existing project.
- V. Maps - The attached Exhibit "A" identify the proposed injection wells, the Area of Review within one-half mile of a proposed injection well, and all wells and leases within two miles of a proposed injection well.
- VI. Well Data - The well data for the wells within the Area of Review was attached as Exhibit "C" to the original application and the well data and schematic diagrams for all plugged and abandoned well bores within the Area of Review was attached as Exhibit "D".
- VII. Proposed Operations:
  1. Proposed average daily injection rate - 1000 BWPD.  
Proposed maximum daily injection rate - 2500 BWPD.
  2. A closed injection system will be maintained.
  3. An average injection pressure of approximately 1200 psi is anticipated. The maximum injection pressure will be 1850 psi, subject to the injection pressure authorized by the Oil Conservation Division.
  4. The proposed injection fluid will consist of water produced from field wells.
  5. Disposal fluid is produced water from wells in the area. Zones for injection are productive in this general area.

- VIII. Geological Data - The overall proposed injection interval is in the Queen/Grayburg/San Andres/Delaware formations at a depth of 3100 to 5500 feet. The initial perforated interval will be 5307' - 5492' in the Delaware. The Queen formation is predominantly sand. The Grayburg formation consists of quartz sands with dolomitic cementation while, the San Andres formation is predominantly dolomite and the Delaware formation is primarily sandstone. The surface formation is Cretaceous and has no known sources of drinking water.
- IX. Stimulation - An acid treatment of about 10,000 gallons should be sufficient to open the perforations for injection.
- X. Logging Data - The available logs are those on file with the Oil Conservation Division from the original operators of the wells. Attached is a porosity log strip of the subject well showing the Delaware Zone for initial injection.
- XI. Fresh Water Wells - No fresh water wells are known to exist in the area of review.
- XII. Affirmative Statement - See attachment.
- XIII. Proof of Notice - Copies of this C-108 Application have been mailed to the surface owner and to each leasehold operator within one-half mile of the proposed injection wells. An Affidavit of such notice is attached Exhibit "E". Copies of the return receipts will be furnished upon request.

# Exhibit "B"

Well Data and  
Schematic Diagram of  
Proposed Injection Well

KCS Medallion Resources, Inc.  
Attachment to OCD Form C-108





Baker Atlas

COMPENSATED Z-DENSILOG<sup>SM</sup>  
 COMPENSATED NEUTRON LOG  
 GAMMA RAY LOG

FILE NO: 8977  
 COMPANY: KCS MEDALLION RESOURCES, INC  
 WELL: WEST SHUGART "19" FEDERAL # 2  
 FIELD: NORTH SHUGART MORROW  
 COUNTY: EDDY  
 STATE: NEW MEXICO  
 LOCATION: 660' FSL & 1930' FEL  
 Ver 3.19  
 FINAL PRINT  
 SEC 19 TWP 18S RGE 31E  
 OTHER SERVICES: DLL/MLL/GR

PERMANENT DATUM: G.L. ELEVATION 3616 FT  
 LOG MEASURED FROM: K.B. 14 FT ABOVE P.D.  
 DRILL MEAS. FROM: K.B.  
 ELEVATIONS: KB 3630 FT, DF 3629 FT, GL 3616 FT

DATE	05-FEB-1999
RUN	1
TRIP	1
SERVICE ORDER	293309
DEPTH DRILLER	12130 FT
DEPTH LOGGER	11991 FT
BOTTOM LOGGED INTERVAL	11950 FT
TOP LOGGED INTERVAL	0 FT
CASING-DRILLER	8.625 IN @ 2805 FT
CASING LOGGER	2802 FT
BIT SIZE	7.875 IN
TYPE OF FLUID IN HOLE	CUT BRINE/SHEARDRILL
DENSITY	9.7 LB/G
VISCOSITY	40 S
PH	10
FLUIDLOSS	10 CS
SOURCE OF SAMPLE	CIRC. TANK
RM AT MEAS. TEMP.	.0534 OHMM @ 69.7 DEGF
RMF AT MEAS. TEMP.	.0534 OHMM @ 69.7 DEGF
RMC AT MEAS. TEMP.	@
SOURCE OF RMF	MEASURED
RM AT BHT	0.026 OHMM @ 152 DEGF
TIME SINCE CIRCULATION	6.5 HOURS
MAX. RECORDED TEMP.	152 DEGF
EQUIP. NO.	HL-6611
LOCATION	HOBBES, NM
RECORDED BY	J. ANTEE
WITNESSED BY	B. SIRUTA

IN MAKING INTERPRETATIONS OF LOGS OUR EMPLOYEES WILL GIVE CUSTOMER THE BENEFIT OF THEIR BEST JUDGEMENT. BUT SINCE ALL INTERPRETATIONS ARE OPINIONS BASED ON INFERENCES FROM ELECTRICAL OR OTHER MEASUREMENTS, WE CANNOT, AND WE DO NOT GUARANTEE THE ACCURACY OR CORRECTNESS OF ANY INTERPRETATION. WE SHALL NOT BE LIABLE OR RESPONSIBLE FOR ANY LOSS, COST, DAMAGES, OR EXPENSES WHATSOEVER INCURRED OR SUSTAINED BY THE CUSTOMER RESULTING FROM ANY INTERPRETATION MADE BY ANY OF OUR EMPLOYEES.

BIT SIZE	FROM	TO
17.5 IN	0 FT	486 FT
11.0 IN	486 FT	2805 FT
7.875 IN	2805 FT	12130 FT

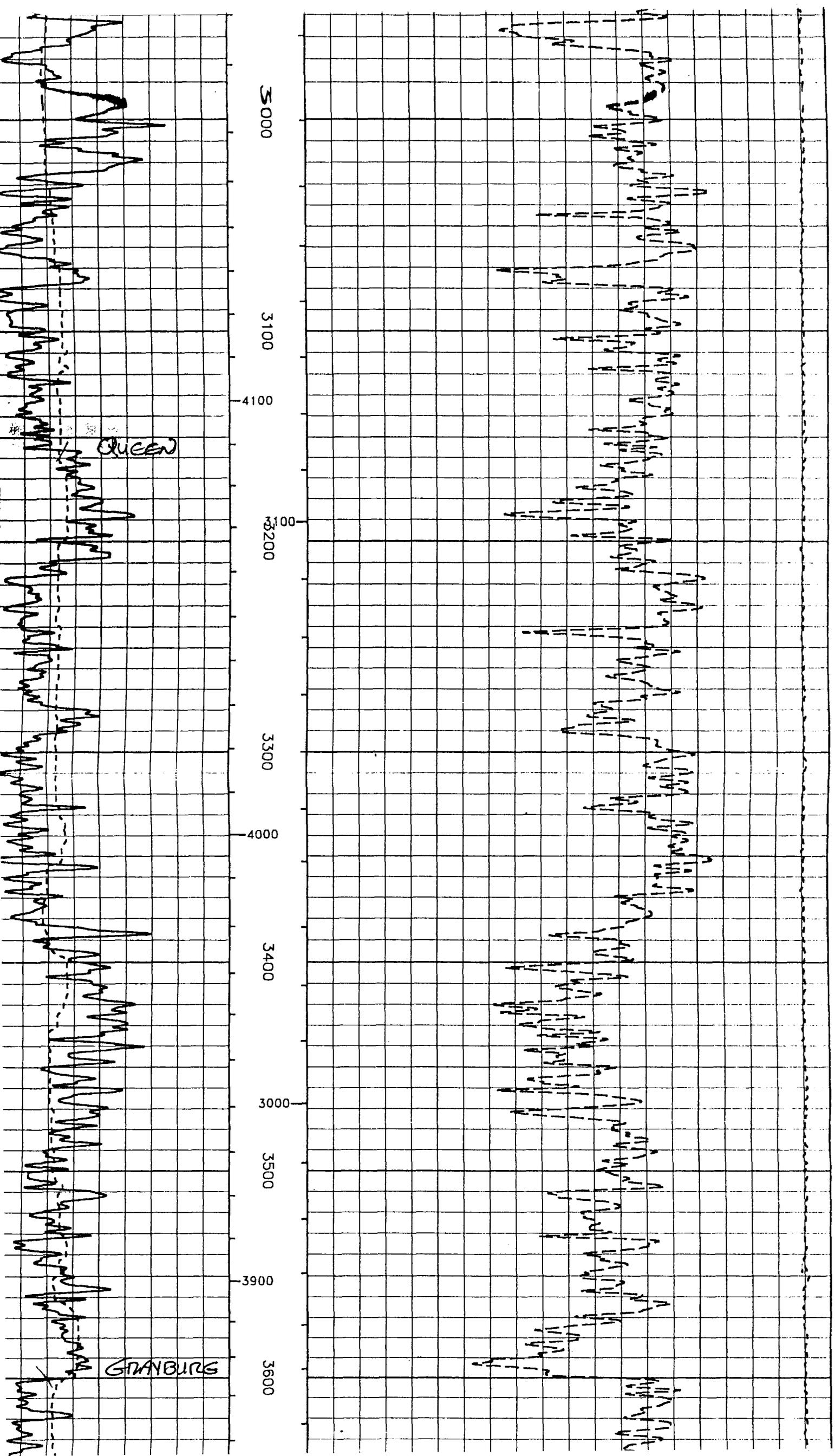
SIZE	WEIGHT	GRADE	FROM	TO
13 3/8	48 LB/F	H-40	0 FT	486 FT
8.625 IN	32 LB/F	J-55	0 FT	2805 FT
4.5 IN				

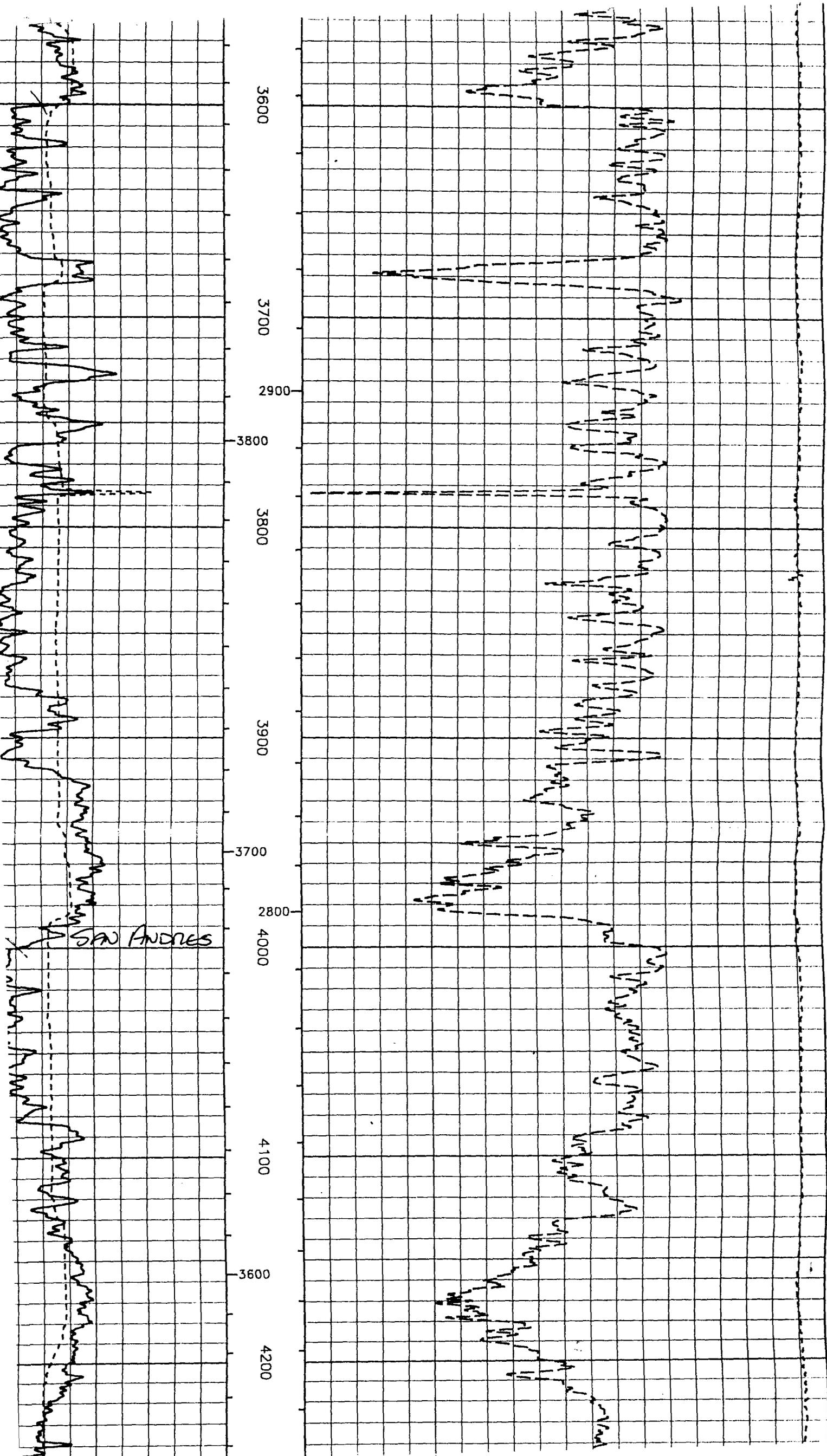
REMARKS

RUN 1 TRIP 1 : NACL = 166,465 PPM  
 CNC IS CALIPER AND CASING CORRECTED  
 CVOL IS BVOL - 4.5 " CASING O.D.  
 BVOL IS TOTAL BOREHOLE VOLUME  
 CPPZ NOT PRESENTED AT BILL SIRUTA'S REQUEST  
 CNC AND PORZ RUN ON A LIMESTONE MATRIX  
 CREW: RUSTY HUTCHERSON & FRED HUDGINS

EQUIPMENT DATA

RUN	TRIP	TOOL	SERIES NO.	SERIAL NO.	POSITION
1/2	1	WTS	3510XB	186133	FREE
1/2	1	GR	1329XB	179409	FREE
1/2	1	CN	2446XA	173098	DECENT
1/2	1	ZDL-E	2228EA	185960	FREE
1/2	1	ZDL	2228MA	185980	PINNED-PAD
1/2	1	ZDL-C	2228MA	185980	ONE-ARM OPEN
1/2	1	SLAD	3516XA	176916	FREE
1/2	1	ISO	3967XB	118510	FREE
1/2	1	DLL-E	1239EA	179362	FREE
1/2	1	DLL	1239MA	188295	CENT
1/2	1	MLL	3104XA	113194	PAD-DEVICE





3600

3700

2900

3800

3800

3900

3700

2800

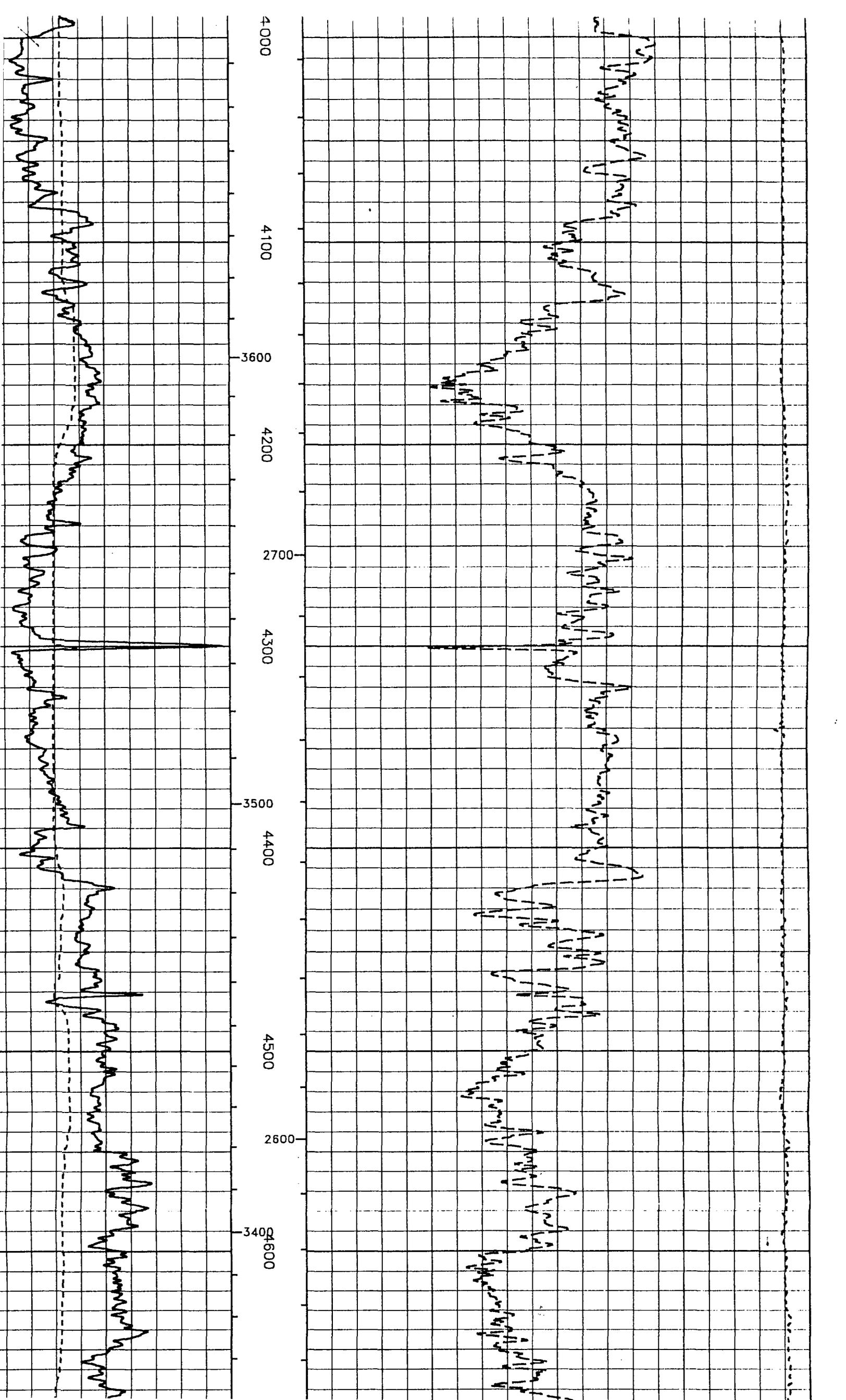
4000

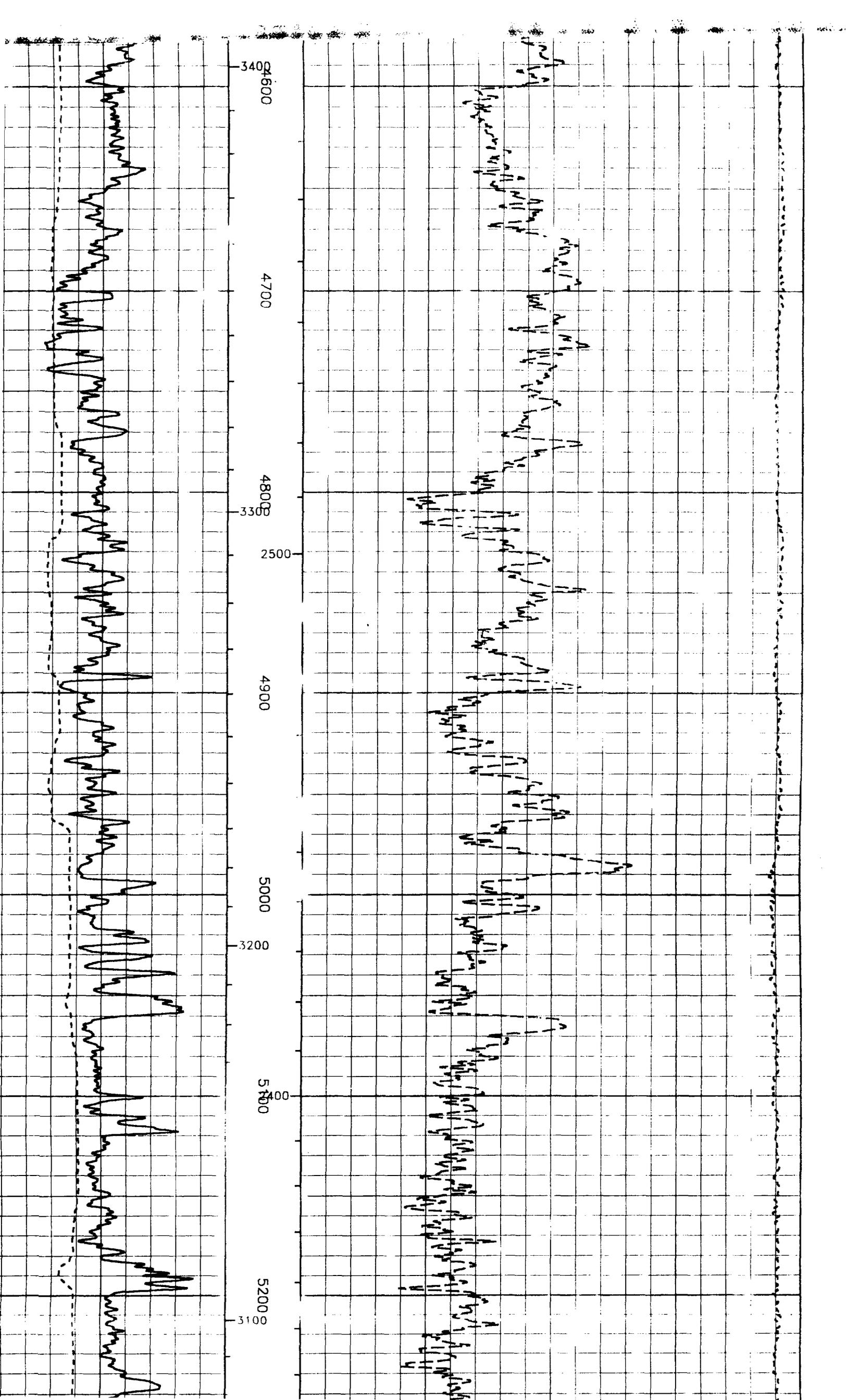
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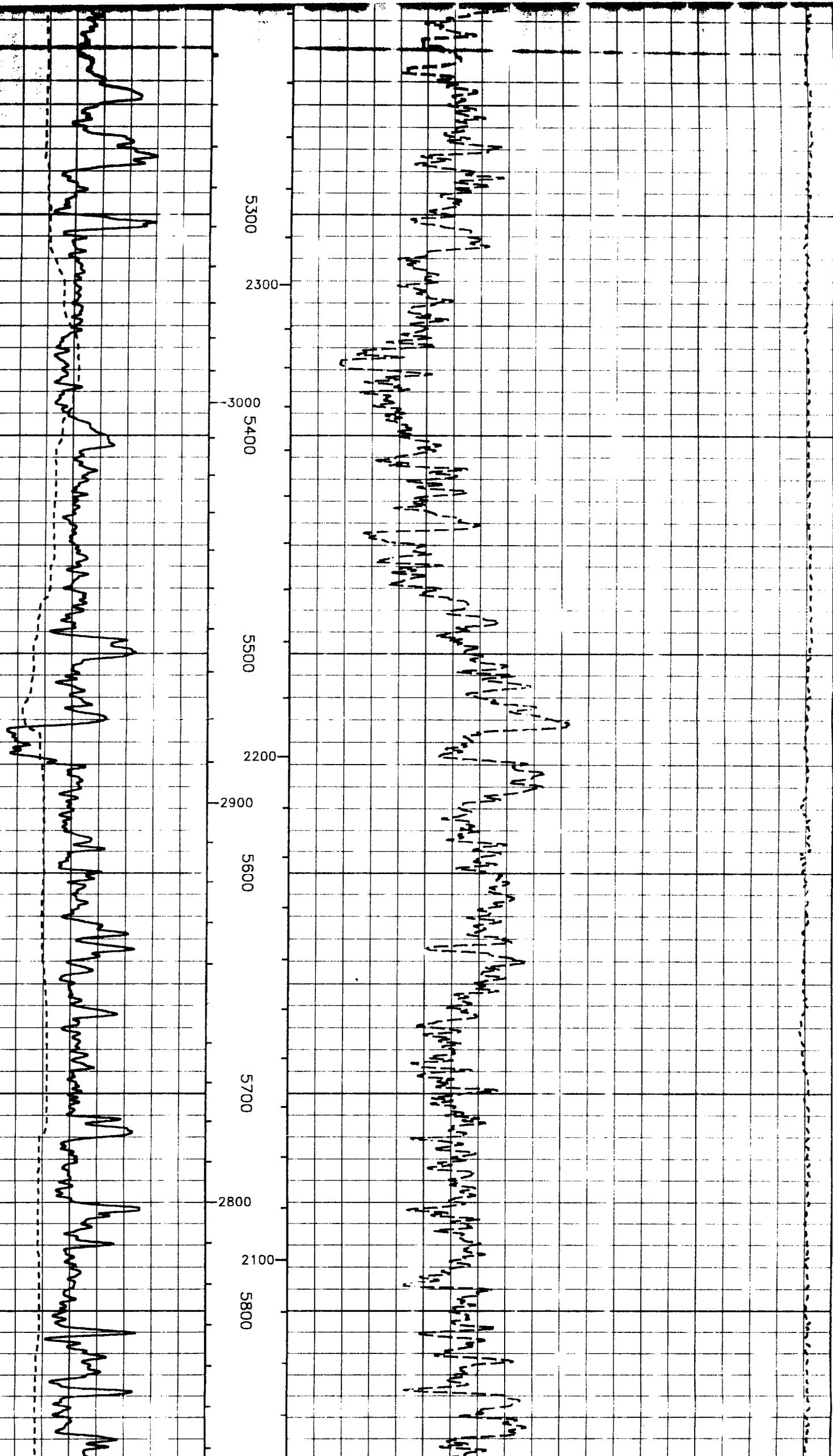
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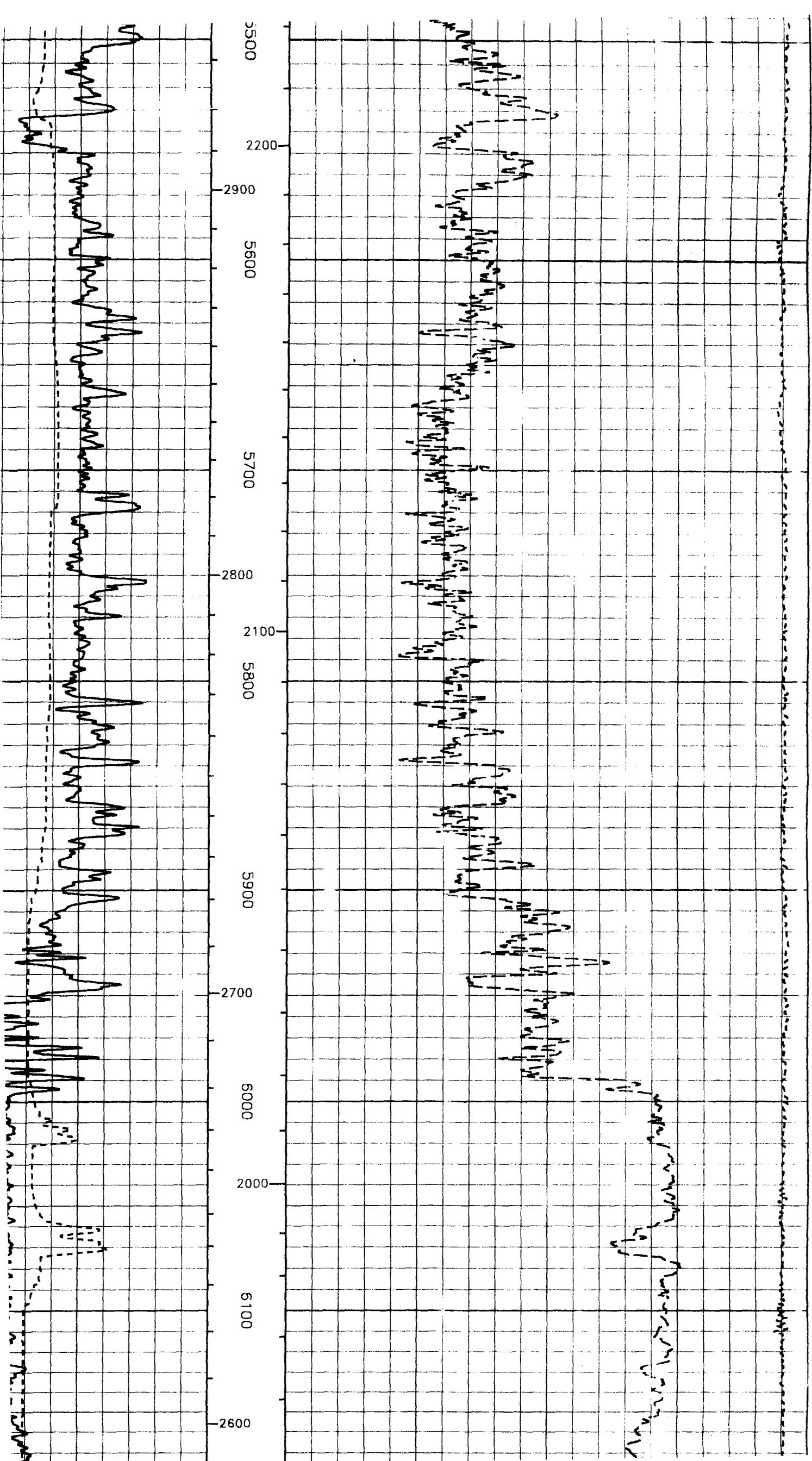
4200

SAN ANDRES









**Exhibit "E"**  
**AFFIDAVIT OF MAILING**

STATE OF NEW MEXICO

: ss

COUNTY OF EDDY

I, Perry L. Hughes, do solemnly swear that a copy of this application has been mailed by certified mail, return receipt requested, to each of the following interested parties:

Surface Owner

United States Department of the Interior  
Bureau of Land Management  
2909 W. Second  
Roswell, NM 88201

Grazing Permittee

Richardson Cattle Company  
PO Box 487  
Carlsbad, NM 88220

Offset Operators:

Pennzoil  
PO Box 50090  
Midland, TX 79710-0090

Xeric Oil & Gas Corporation  
PO Box 352  
Midland, TX 79702-0352

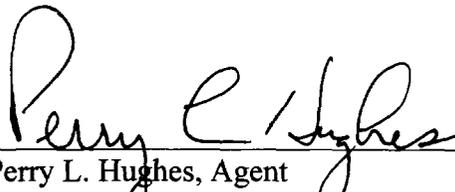
Pride Energy  
PO Box 2948  
Midland, TX 79702

Burlington Resources  
PO Box 51810  
Midland, TX 79710

Concho Resources, LLC  
110 W Louisiana, Ste 410  
Midland, TX 79701

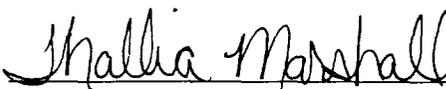
Ocean Energy, Inc.  
4305 N Garfield, Ste 237  
Midland, TX 79705

Chevron USA Prod.  
Non Operated Joint Interest Properties  
PO Box 1635  
Houston, TX 77251

  
\_\_\_\_\_  
Perry L. Hughes, Agent

SWORN AND SUBSCRIBED TO before me this 5<sup>th</sup> day of November, 1999



  
\_\_\_\_\_  
Notary Public

My commission expires November 6, 2000

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 785

United States Department of the Interior  
Bureau of Land Management  
2909 W. Second  
Roswell, NM 88201

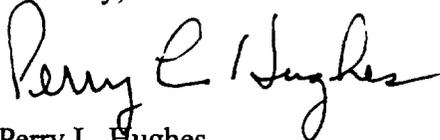
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Gentlemen:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the surface owner.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH\tn

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 786

Richardson Cattle Company  
PO Box 487  
Carlsbad, NM 88220

RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Gentlemen:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the grazing permittee.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH\tm

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 778

Pennzoil  
PO Box 50090  
Midland, TX 79710-0090

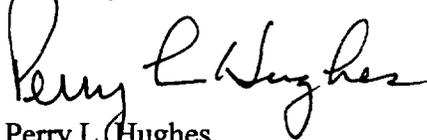
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Gentlemen:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the offset operator.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH/tn

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 779

Xeric Oil & Gas Corporation  
PO Box 352  
Midland, TX 79702-0352

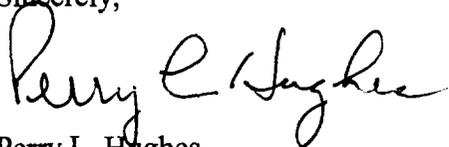
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Gentlemen:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the offset operator.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH\tn

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 781

Pride Energy  
PO Box 2948  
Midland, TX 79702

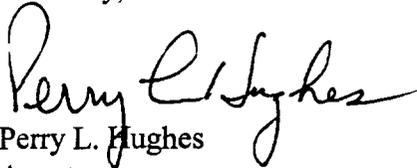
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Gentlemen:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the offset operator.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH/tm

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 780

Burlington Resources  
Mr. Rick Gallegos  
PO Box 51810  
Midland, TX 79710

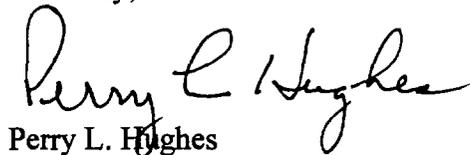
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Mr. Rick Gallegos:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the offset operator.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH\tm

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 783

Concho Resources, LLC  
110 W Louisiana, Ste 410  
Midland, TX 79701

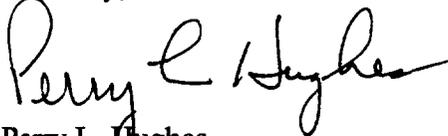
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Gentlemen:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the offset operator.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH\tm

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 782

Ocean Energy, Inc.  
4305 N Garfield, Ste 237  
Midland, TX 79705

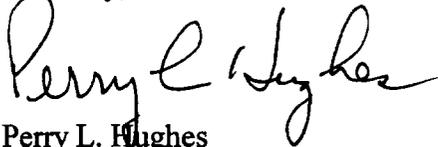
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Gentlemen:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the offset operator.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH\tn

Enclosure

# KCS Medallion Resources, Inc.

7130 South Lewis Avenue, Suite 700 ♦ Tulsa, OK 74136-5489 ♦ 918-488-8283

November 5, 1999

CERTIFIED No. Z 442 552 784

Chevron USA Prod.  
Non Operated Joint Interest Properties  
Mr. Robert Sample  
PO Box 1635  
Houston, TX 77251

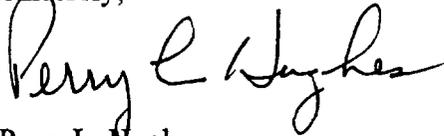
RE: KCS Medallion Resources, Inc  
Application for Authorization to Inject  
West Sugart "19" Federal #2  
Eddy County, New Mexico

Mr. Robert Sample:

Enclosed a copy of the New Mexico Oil Conservation Division's Form C-108, Application for Authorization to Inject into a well in Section 19 of Township 18S, Range 31E, Eddy County, New Mexico. KCS Medallion Resources, Inc. is submitting this Application. This copy is sent to you in compliance with OCD requirement to notify the offset operator.

Should you have any questions regarding this Application, please contact me at 505-885-5433 or by mail at 207 W McKay, Carlsbad, NM 88220.

Sincerely,



Perry L. Hughes  
Agent  
KCS Medallion Resources, Inc.

PLH\tm

Enclosure

# Affidavit of Publication

NO. 16771

STATE OF NEW MEXICO

County of Eddy:

Gary Scott being duly

sworn, says: That he is the Publisher of The Artesia Daily Press, a daily newspaper of general circulation, published in English at Artesia, said county and county and state, and that the here to attached

### Legal Notice

was published in a regular and entire issue of the said Artesia Daily Press, a daily newspaper duly qualified for that purpose within the meaning of Chapter 167 of the 1937 Session Laws of the state of New Mexico for 1 consecutive weeks/days on the same

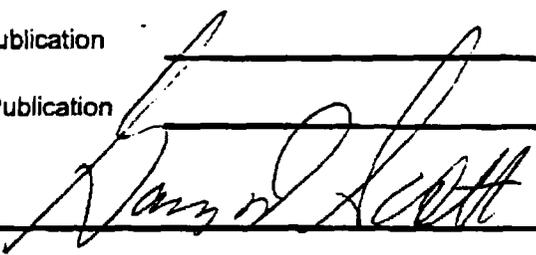
day as follows:

First Publication November 9 1999

Second Publication \_\_\_\_\_

Third Publication \_\_\_\_\_

Fourth Publication \_\_\_\_\_



Subscribed and sworn to before me this

9th day of November 1999

Barbara Ann Brown  
Notary Public, Eddy County, New Mexico

My Commission expires September 23, 2003

# Copy of Publication:

7130 South Lewis Avenue, Suite 700, Tulsa, OK 74136. Agent Mr. Perry L. Hughes whose address is 207 W. McKay, Carlsbad, NM 88220; phone number 505-885-5433, is seeking approval from the New Mexico Oil Conservation Division to inject in its West Shugart-19 Federal #2 Well, located 600' FSN and 1000' FSL, Sec 19, T18S, R31E, NMPM, Eddy County, New Mexico, for water disposal in the Queen/Grayburg/San Andres/Delaware Formations at a depth of 3100' to 5500'. KCS Medallion Resources, Inc. intends to inject a maximum of 2,500 BWPD at a maximum injection pressure of 1250 psi. Interested parties must file objections or requests for hearing with the Oil Conservation Division, 2040 South Pacheco, Santa Fe, NM 87505, within 15 days of this publication. Published in the Artesia Daily Press, Artesia, NM, November 9, 1999.

**LEGAL NOTICE**  
KCS Medallion Resources, Inc.  
Classifieds Ad  
12 Words 7 Days \$100

## WASTE WATER DISPOSAL AGREEMENT

STATE OF NEW MEXICO

COUNTY OF EDDY

This Waste Water Disposal Agreement is entered into this 10th day of August, 1999, by and between **Chevron U.S.A. Inc.**, a Pennsylvania corporation, whose address is P. O. Box 36366, Houston, Texas 77236, hereinafter referred to as "Chevron", and **KCS Medallion Resources, Inc.**, a Delaware corporation, whose address is 7130 South Lewis Avenue, Suite 700, Tulsa, Oklahoma 74136-5489, hereinafter referred to as "KCS".

### WITNESSETH

WHEREAS, pursuant to the terms and conditions of that certain unrecorded Farmout Agreement dated October 1, 1998, (Chevron File LR-035104) by and between Chevron and KCS, and covering certain rights in and to the East Half (E/2) of Section 19, T18S, R31E, Eddy County, New Mexico, reference to such Farmout Agreement is hereby made for all purposes, KCS drilled the KCS Medallion Resources Inc. - West Shugart "19" Federal Well No. 2, ("said well") at a location situated 660 feet from the South Line and 1,930 feet from the East Line of Section 19, T18S, R31E, Eddy County, New Mexico and completed same as a dry hole;

WHEREAS, KCS has requested Chevron's permission to convert said well to a waste water disposal well in order to dispose of waste water from currently existing wells operated by KCS, and/or certain planned wells to be drilled and operated by KCS, as described on Exhibit "A" attached hereto.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Chevron does hereby agree, subject to the following terms and conditions, that KCS shall have the right to dispose of waste water from such wells into the West Shugart "19" Federal Well No. 2, and does further agree that KCS shall have the right to use the following property situated in Eddy County, New Mexico in conjunction with such waste water disposal operations to-wit:

An area, which covers the KCS Medallion Resources, Inc. - West Shugart "19" Federal Well No. 2, located 660 feet from the South Line and 1,930 feet from the East Line of Section 19, T18S, R31E, Eddy County, New Mexico, of approximately 330 feet by 330 feet, being the existing well pad of said well, with access thereto by use of the existing lease road, hereinafter referred to as the "Property".

1. Said Property shall be used by KCS for the purpose of transporting and disposing of waste water produced from the currently existing wells and/or the planned wells that may be drilled as described on Exhibit "A" attached hereto. KCS shall have the right to dispose of waste water into said well, together with the right of working over and maintaining said well for such disposal purpose and the right to install, construct, maintain, operate, replace, change, repair and remove all other necessary equipment and facilities, including but in no way limited to the right to lay or install electrical lines and/or other utilities across the East Half (E/2) of Section 19, T18S, R31E, Eddy County, New Mexico, as may be necessary to provide electrical power to such facilities, for the transportation, disposal, and operation of a waste water disposal well.
2. KCS shall, at its sole cost, risk and expense, secure all necessary permits, approvals, consents, easements and grants necessary for it to transport, deliver, and dispose of waste water covered by this Agreement and shall operate such facilities in accordance with any and all applicable laws, orders, rules and/or regulations of any governmental authority having jurisdiction over or an interest in the Property.
3. This agreement shall be for a term of five (5) years from the date hereof, and only so long as said Property is used for the purposes herein stated and subject to the other terms stated herein. KCS agrees to pay Chevron annually the sum of Five Thousand and No/100 Dollars (\$5,000.00) on or before the next ensuing anniversary date of this Agreement (August 10, 2000) and continuing annually so long as this agreement remains in effect. Should such payment not be received by Chevron on or before the 10th day of the month in which it is due, Chevron shall provide written notice to KCS and KCS shall have ten (10) days in which to deliver such payment to Chevron or this agreement shall terminate.
4. KCS agrees to defend, indemnify and hold Chevron and its affiliates (as used in this agreement "affiliates" means Chevron Corporation and any company in which Chevron Corporation now or hereafter owns, directly or indirectly, at least fifty percent of the shares of stock entitled to vote at a general election for directors) and their respective officers, directors, employees, successors and assigns, and each of them, harmless from and against all liability or claims thereof for loss of or damage to property (to whomever belonging) or injury to or death of any person (including an employee of KCS, Chevron or its affiliates) or for loss or damage arising from attachments, liens or claims of materialmen or laborers, including claims and reasonable attorney's fees relating to any of the foregoing resulting from the exercise of the rights herein granted. SUCH INDEMNITY SHALL

APPLY WHETHER OR NOT CHEVRON OR ITS AFFILIATE WAS OR IS CLAIMED TO BE PASSIVELY, CONCURRENTLY OR ACTIVELY NEGLIGENT, AND REGARDLESS OF WHETHER LIABILITY WITHOUT FAULT IS IMPOSED OR SOUGHT TO BE IMPOSED ON CHEVRON AND/OR ITS AFFILIATES. THIS INDEMNITY SHALL NOT APPLY WHERE SUCH LOSS, DAMAGE, INJURY, LIABILITY OR CLAIM IS THE RESULT OF THE SOLE NEGLIGENCE OR WILLFUL MISCONDUCT OF CHEVRON OR ITS AFFILIATES.

5. KCS assumes full responsibility for, and agrees to defend, indemnify, hold harmless, and defend Chevron and its affiliates and their respective officers, directors, employees, successors and assigns, and each of them, from and against all loss, liability, claims, fines, expenses, costs (including attorney's fees and expenses) and causes of action caused by or arising out of any federal, state, or local laws, rules, orders, and regulations as may be amended applicable to any waste material, hazardous substances or other regulated substances on or below the surface of the Property or the presence, disposal, release or threatened release of all waste material, hazardous substances or other regulated substances from the Property into the atmosphere or into or upon land or any water course or body of water, including ground water, which are attributable to KCS' operations upon the Property or are a result of the actions of KCS' officers, employees or agents in furtherance of Operator's operations upon the Property.
6. KCS covenants that (a) no substances deemed hazardous under any Hazardous Material Law including, but without limitation to (i) the Resource Conservation and Recovery Act 1976 ("RCRA"), 42 U.S.C. 6901 et seq., (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U.S.C. 9601 to 9657, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), (iii) the Hazardous Materials Transportation Act, 49 U.S.C.S. appx. 1801 et seq., (iv) the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq., (v) the Clean Air Act, 42 U.S.C. 7401 et seq., (vi) the Clean Water Act, 33 U.S.C. 1251 et seq., (vii) the Toxic Substance Control Act, 15 U.S.C. 2601-2654, (viii) the Safe Drinking Water Act, 42 U.S.C. 300f to 300j-11, and (ix) all similar federal, state, and local environmental statutes, ordinances, and the regulations, orders and decrees now or hereafter promulgated thereunder (collectively, the "Hazardous Material Law" and hazardous substances, are herein called "Hazardous Materials"), shall be disposed of pursuant to the terms hereof; (b) no activity shall be undertaken which may cause said well or the Property to become a hazardous waste treatment, storage, or disposal facility within the meaning of RCRA or any Hazardous Material Law, or cause a release or threatened release of Hazardous Material from said well within the meaning of CERCLA or SARA or any Hazardous Material Law, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Law; (c) no activity shall be undertaken with respect to said well or the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Law; (d) no underground storage tanks shall be located on the Property described herein.
7. KCS shall immediately advise Chevron in writing of (a) any governmental or regulatory actions instituted or threatened under any Hazardous Material Law affecting said well or the Property described herein, (b) all claims made or threatened by any third party against KCS relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Material, (c) the discovery of any occurrence or conditions on the Property described herein or on any real property adjoining or in the vicinity of the Property described herein to the extent caused or alleged to be caused by KCS which could affect the Property described herein to any restrictions under any Hazardous Material Law. At its sole cost and expense, KCS shall promptly cure and remedy every violation of a Hazardous Material Law relative to this agreement caused by KCS.
8. KCS shall indemnify, defend and hold harmless Chevron, its affiliates, successors and assigns, from and against (a) any loss, liability, damage, cost, expense, or claim arising from KCS' operations, (b) the cost of required repairs, clean up, or detoxification and removal of any Hazardous Materials to the extent necessitated by KCS' operations, (c) any other loss, liability, damage, expense, or claim which may be incurred by or asserted against Chevron, its successors and assigns, directly or indirectly arising from the presence on or under, or the discharge, emission, or release from the land into or upon the Property, Chevron's lands and/or leases, atmosphere, or any watercourse, body of surface or subsurface water, or wetland, arising from the installation, use, generation, manufacture, treatment, handling, refining, production, processing, storage, removal, clean up, or disposal of any Hazardous Material to the extent caused by KCS, and (d) loss of value of the lands covered hereunder or claim or a failure or defect in title as a result of any such clean up, detoxification, loss, liability, damage, and expense to the extent caused by KCS. This indemnification shall apply to liability for voluntary environmental response actions undertaken pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or any other federal, state or local law.
9. KCS shall not create, incur or suffer to be incurred any lien, encumbrance or claim against said well, the Property, the land, lease or other rights hereunder affected. Should any such lien or encumbrance attach to said well or the Property without Chevron's express written consent and if KCS does not fully satisfy same within sixty (60) days thereafter, then Chevron may, at its sole option, terminate this Agreement and KCS' rights hereunder. Notwithstanding any termination hereof, KCS shall defend, indemnify and hold Chevron harmless against all such liens, claims of liens, suits and/or all other proceedings pertaining thereto, including the costs of attorney's fees.

- 10. Upon termination of this agreement, said well shall be promptly and properly plugged, equipment removed, pits, if any existed prior to this agreement, shall be treated and backfilled, trash and debris removed and surface cleaned, restored and re-seeded, with similar grasses of the lands surrounding the Property, to as nearly as practicable to its original condition. Should KCS fail to commence the removal of such equipment, the removal of trash and debris, or the cleaning restoration and re-seeding of the Property within one hundred eighty (180) days of the termination of this agreement, and continue such efforts with due diligence, then KCS shall be subject to liquidated damages of \$150.00 per day beginning on the first day after the one hundred eighty (180) days have expired payable to Chevron until such equipment is removed, the trash and debris removed and the surface cleaned, restored and re-seeded with similar grasses of the lands surrounding the Property to as nearly as practicable to its original condition. Notwithstanding any termination hereof, KCS shall be obligated to pay Chevron such sums until the subject well has been properly plugged, equipment removed, trash and debris removed and surface cleaned, restored and re-seeded as described hereinabove.
- 11. It is specifically understood and agreed that the term "waste water", as used herein, shall mean all fluid waste substances, commonly referred to as saltwater or waste water, incident to or used and obtained from wells in connection with the production of petroleum products therefrom.
- 12. In all operations under this agreement, KCS is acting independently of Chevron and in no case as Chevron's agent. All operations shall be under KCS' exclusive control and said well shall be operated and plugged at KCS' sole cost, risk and expense. This agreement and the operations conducted hereunder shall not be considered as a mining or other partnership, joint venture, association, trust, agency relationship, or association. KCS agrees to defend, protect, indemnify and save Chevron harmless from any and all claims, demands, liabilities, injuries, losses, damages, costs (including attorney's fees), causes of action and expenses arising out of, incident to or resulting directly or indirectly in connection with such operations.
- 13. KCS hereby agrees to pay any additional taxes which may be assessed directly or indirectly against the Property, or any portion thereof, due to the existence of facilities or improvements placed or built on the Property by KCS.
- 14. This agreement is expressly made subject to any and all easements, right-of-way agreements or other contracts affecting the above described Property that may have been heretofore executed by Chevron, or Chevron's predecessors in title, and Chevron reserves all rights to and dominion over said land except the rights expressly granted herein.
- 15. This agreement constitutes the sole and only agreement between the parties hereto and supersedes any prior understandings of written or oral agreements between the parties respecting the within subject matter.
- 16. The interest of KCS hereunder shall not be assigned without Chevron's prior written consent, provided, however, that such consent shall not be unreasonably withheld. No such assignment shall be binding upon Chevron unless and until a certified copy of such assignment is provided to Chevron, along with a notice containing the full name of the assignee, its mailing address and telephone number. KCS shall provide Chevron with such copy and notice within thirty (30) days of such assignment. In the event of such assignment, and Chevron's prior written consent thereto, the liability for payments and all other obligations hereunder accruing after the date of Chevron's receipt of such assignment shall rest exclusively with the then owner of this agreement.
- 17. Either party shall have the right and privilege of relinquishing this agreement at any time during the term hereof by giving sixty (60) day written notice to the other party of its intention to do so and the date it desires said termination to be effective.
- 18. The defense, indemnification, and hold harmless agreements provided for herein shall survive any termination of this agreement.

The provisions hereof shall extend to and be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement is executed on this the 12<sup>th</sup> day of August 1999.

KCS Medallion Resources, Inc.

Chevron U.S.A. Inc.

\* By: [Signature]

By: [Signature]

Title: Vice President - Land

Title: Attorney-in-Fact

Printed Name: D. R. Deffenbaugh

Printed Name: D. T. Berlin

\*Signed subject to Chevron USA, Inc.'s acceptance of those terms and conditions of acceptance contained in that certain Letter Agreement dated August 31, 1999.

STATE OF TEXAS    X

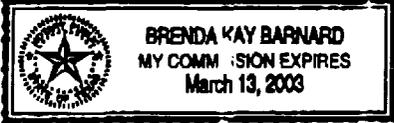
COUNTY OF HARRIS   X

This instrument was acknowledged before me on this the 17<sup>th</sup> day of September, <sup>88</sup>~~1998~~, <sup>1999</sup> by D. T. Berlin, Attorney-In-Fact for Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.

Brenda Kay Barnard  
Notary Public in and for the State of Texas.

My commission expires: March 13, 2003

Notary's printed name: Brenda Kay Barnard



STATE OF OKLAHOMA    X

COUNTY OF TULSA       X

This instrument was acknowledged before me on this the 31<sup>st</sup> day of August, 1999, by D. R. Deffenbaugh as Vice President for KCS Medallion Resources, Inc., a Delaware corporation, on behalf of said corporation.

Leslie A. Patterson  
Notary Public in and for the State of Oklahoma.

My commission expires: January 19, 2003

Notary's printed name: Leslie A. Patterson

**Exhibit "A"**

Attached to and made a part of that certain Waste Water Disposal Lease Agreement dated August 10, 1999, between Chevron U.S.A. Inc. and KCS Medallion Resources, Inc.

**The currently existing wells are:**

West Shugart "19" Federal No. 1: Located 660 feet from the South Line and 1,980 feet from the West Line of Section 19, T18S, R31E.

West Shugart "19" Federal No. 3: Located 1,980 feet from the South Line and 1,980 feet from the West Line of Section 19, T18S, R31E.

West Shugart "19" Federal No. 7: Located 1,980 feet from the South Line and 660 feet from the West Line of Section 19, T18S, R31E.

**The planned wells are:**

West Shugart "19" Federal No. 4: To be located in the SW/4 of SW/4 of Section 19, T18S, R31E.

West Shugart "19" Federal No. 5: To be located in the SE/4 of NW/4 of Section 19, T18S, R31E.

West Shugart "19" Federal No. 6: To be located in the SW/4 of NE/4 of Section 19, T18S, R31E.

West Shugart "30" C No. 1: To be located in the NE/4 of NW/4 of Section 30, T18S, R31E.

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

STATE OF NEW MEXICO §
COUNTY OF EDDY § KNOW ALL MEN BY THESE PRESENTS THAT:

BURLINGTON RESOURCES OIL & GAS COMPANY, a Delaware corporation, whose address is P. O. Box 51810, Midland, Texas 79710-1810 ("Assignor"), for adequate consideration, receipt of which is hereby acknowledged, does hereby assign, transfer, grant and convey unto KCS MEDALLION RESOURCES, INC., a Delaware corporation, whose address is 7130 South Lewis Avenue, Suite 700, Tulsa, OK 74136-5489 ("Assignee"), all of its right, title and interest in and to that certain Oil and Gas Lease dated November 1, 1971, being Serial No. USA NM-067896 from The United States of America to Gulf Oil Corporation, insofar as it covers the SW/4SE/4 of Section 19, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, limited to rights from the surface of the earth to 4,000 feet beneath the surface of the earth.

This Assignment of Oil and Gas Leases may be executed by Assignor and Assignee in any number of counterparts, each of which shall be deemed an original instrument.

IN WITNESS WHEREOF, this instrument is executed the 8th day of October, 1999, but shall be effective as of the 1st day of October, 1999.

ASSIGNOR:

BURLINGTON RESOURCES OIL & GAS COMPANY
WDP
BY: Don W. Davis, Attorney-in-Fact

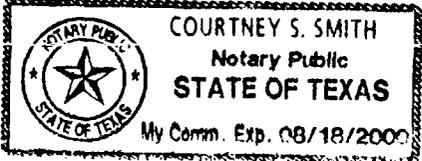
ASSIGNEE:

KCS MEDALLION RESOURCES, INC.
BY: D. R. Deffenbaugh
NAME: D. R. Deffenbaugh
TITLE: Vice President - Land

STATE OF TEXAS §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 8th day of October, 1999, by Don W. Davis, Attorney-in-Fact of BURLINGTON RESOURCES OIL & GAS COMPANY, a Delaware corporation, on behalf of said corporation.

Courtney S. Smith
Notary Public



STATE OF OKLAHOMA §
COUNTY OF TULSA §

The foregoing instrument was acknowledged before me this 21st day of October, 1999, by D. R. Deffenbaugh, Vice President - Land of KCS MEDALLION RESOURCES, INC., a Delaware corporation, on behalf of said corporation.

My Commission Expires:
January 19, 2003

Notary Public