

BW - _____ 37 _____

**GENERAL
CORRESPONDENCE**

Griswold, Jim, EMNRD

From: Martin, Ed <emartin@slo.state.nm.us>
Sent: Tuesday, June 12, 2018 3:11 PM
To: Griswold, Jim, EMNRD
Cc: Riley, Laura; 'Marvin Burrows'; Yates, Jack; Holm, Anchor E.; Khalsa, Niranjana K.; Marks, Allison, EMNRD; Riley, Heather, EMNRD
Subject: FW: Llano Disposal, LLC Salt Mineral Lease Application HS-0011-0
Attachments: Anchor Holm Well Concerns Memo State 4-1 BW.docx; HS-0011-0 Application.pdf

The New Mexico State Land Office intends to process this lease application, but wishes to inform the NMOCD that we have concerns about the brine well and its operations. Please see the attachment showing our technical concerns in this case. Ultimate regulatory approval is in the purview of the NMOCD.

If you have any questions, do not hesitate to contact me.

From: Yates, Jack
Sent: Tuesday, June 12, 2018 2:54 PM
To: Martin, Ed <emartin@slo.state.nm.us>
Subject: Llano Disposal, LLC Salt Mineral Lease Application HS-0011-0

Ed,

We have received a Salt Mineral Lease application from Llano Disposal which we have assigned Lease Number HS-0011-0. Minerals Section is preparing lease documents to be sent out for signatures. However, Anchor Holm has done a well review of this location and has some concerns.

Attached is a copy of the application as well as Anchor's Memo stating the well concerns.

Thanks,

-Jack

Jack Yates
Minerals Manager
Oil, Gas and Minerals Division
505.827.5750
New Mexico State Land Office
310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, NM 87504-1148
[jyates@slo.state.nm.us](mailto: jyates@slo.state.nm.us)
nmstatelands.org



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CONFIDENTIALITY NOTICE - This e-mail transmission, including all documents, files, or previous e-mail messages attached hereto, may contain confidential and/or legally privileged information. If you are not the intended recipient, or a person responsible for delivering it to the intended recipient, you are hereby notified that you must not read this transmission and that any disclosure, copying, printing, distribution, or use of any of the information contained in and/or attached to this



Oil Gas & Mineral Division
New Mexico State Land Office
Commissioner Aubrey Dunn

June 12, 2018

To: Jack Yates, Minerals Manager

From: Anchor E. Holm, Geoscientist/Petroleum Engineering Specialist

RE: Llano Disposal, LLC –State 4#1 Brine Well ReEntry (OCD BW-37, phase 2).

State Land Office Concerns:

1. This well has been approved for ReEntry to convert to a Brine Well per OCD Discharge Permit BW-037 issued May 4, 2018. The well was reentered successfully and casing logs (60-Arm Caliper-ODT-Casing Inspection Log, Radial Cement Bond-Gamma Ray-CCL Log, & Compensated Neutron-Gamma Ray-CCL Log) were run from 3,292' up to surface. On February 2, 2018, the above casing logs were run, then submitted to the OCD on February 6, 2018. Then, "**Suspended further well work** until additional permitting is approved."
2. The Llano Disposal initial (March 20, 2018) Application indicated that the window would be cut in the 8-5/8" casing from 2,420' to 2,430' with the brine tubing planned to be landed at 2,900' in the lower portion of the Salado Salt. Top of Salt was listed at a depth of 2,200' and the bottom of Salt was listed at a depth of 3,100'.
3. The Llano Disposal Revised wellbore diagram dated February 2, 2018 indicated that the window would be cut in the 8-5/8" casing from 2,300' to 2,310' with the brine tubing planned to be landed at 2,800' in the lower portion of the Salado Salt. No change in the top and bottom of the Salt was indicated. Added to the diagram was a note that a **possible DV tool / bad casing at 2,198' to 2,240'** was found by the casing logs.
4. The 60-Arm Caliper log indicated that the internal diameter of the casing at a depth of 2,196' to **2,198'** increased from 7.625" to approximately **13"**, and did not return to the 7.625" internal diameter until a depth of **2,238'**. This log signature indicates that a casing window appeared to already exist at a shallower depth than allowed in the Disposal Permit.
5. The Radial Cement Bond Log indicated an abrupt decrease in cement bonding beginning at a depth of **2,239'**, with poor cement bond extending down to a depth of **2,272'**. Poor cement bonding also occurred from 2,290' to 2,340' and intermittently poor cement bond from 2,420' to 3,050'. The poor cement bond from appears to indicate that a hole was drilled through the cement job outside the 8-5/8" casing. Deeper poor cement bond sections may be related to the deeper drilling outside the casing and/or formation properties causing the weaker bonding.



Oil Gas & Mineral Division
New Mexico State Land Office
Commissioner Aubrey Dunn

6. The Gamma Ray logs indicate that the **top of Salt** is at a depth of **2,170'**, about 26 feet above the suspected existing casing window and 30 feet shallower than on the wellbore diagrams. The bottom of Salt is at a depth of 3,070', and 30 feet shallower than on the wellbore diagrams. These depth differences occur commonly, since the initial depths were estimated from old open-hole wells run in the original wellbore.
7. Use of a plugged and abandoned wellbore (drilled in **1979**) is not reasonable nor currently being done in New Mexico. Cutting a sidetrack window in a **39** year old casing string to access the salt beds has a mechanical risk and will be extremely difficult to effectively plug and abandon in the future. Since such a casing sidetrack window appears to have been cut in the 8-5/8" casing only **26 feet** below the top of Salt, use of this wellbore for brine production has been seriously compromised. Such use without full remediation (possibly cementing off the sidetrack hole) will allow salt to be dissolved out all the way up to the top of Salt. This would likely create an unstable cavern top.
8. The base of the Ogallala formation /aquifer is present at a depth of 185'. Thus, the Ogallala Ground Water will be put at risk if the cavern collapses. Such a collapse would allow Ogallala very low total dissolved solids (<3,000 mg/L TDS) freshwater to flow down through the collapsed column to the Salt in an uncontrolled manner, and could cause the surface collapse area to expand significantly over time. Sealing such a collapsed column is extremely difficult to impossible to achieve.
9. However, the surface collapse area generally will decrease and stabilize over time since the salt zone has little to no circulation outlet downhole. Of concern is the deeper cement plugs within this wellbore may eventually fail, allowing some downward flow from the salt cavern bottom. Such a failure would likely increase the diameter of the collapse at the ground surface by a factor of two (2) or more.

Geology and Hydrology:

- a. At the surface the Ogallala formation outcrops with a thickness of approximately 185', and contains several sink holes which appear to be locally recharging the Ogallala aquifer. The well site is located on the western edge of a southerly trending drainage between two sink holes, likely discharging into the southerly sink hole about 1/8 mile away.
- b. Water Easements do not appear to have been issued by the State Land Office to any entity in the area. Nearby State Land Office Grazing Easements include *Lisa Turner* G01117-1, *Ivaley Thompson* GT2784-0, and *Kingsolving and Kingsolving* GS2453-2.
- c. Seven (7) domestic/stock water wells are present within one-half to two miles from this proposed brine well. None are adjacent to the two sinkholes nearest to this brine well.
- d. The likely source of fresh water for mining the salt is the Ogallala aquifer. This use would be 100% consumptive and have limited value to the State Land Trust. Since the proposed brine well is located approximately 2-miles south of Tatum, NM, use of any municipal water supplies for a consumptive use will likely be a drain on its water supply with no water reuse potential.

**NEW MEXICO STATE LAND OFFICE
APPLICATION FOR A RULE 4 (19.2.4 NMAC)
SALT LEASE ON STATE TRUST LAND**

FOR LAND OFFICE USE ONLY
Lease No.: HS-11-0
New: Renewal:
STID No.: 370661
Phone: _____

TO: Commissioner of Public Lands
Post Office Box 1148
Santa Fe, New Mexico 87504-1148
Date of Application: May 25, 2018

FROM: Llano Disposal, LLC (Company Name)
Darr Angell (Contact Name)
P.O. Box 250 (Street Address/PO Box)
Lovington, NM 88260 (City, State, Zip)
(575) 704-2777 (Phone #)
angellauram@gmail.com (Email Address)

I, Llano Disposal, LLC, whose address
(Company / Corporation Name)

is listed above, am a citizen, or eligible to become a citizen of the United States, over the age of twenty-one years (or a corporation qualified to do business in New Mexico) do hereby make application for a mineral lease for the exploration, development and production of Salt (NaCl) upon the following described lands, or such portion thereof as may be available for leasing, situated in the County of Lea, State of New

Mexico:
Subdivision SW/4 NW/4 Section 4 Township 13 South Range 36 East

containing 40 acres, more or less; and do tender as first annual rental, the sum of \$1.00 per acre (\$40.00 minimum) together with an application fee of \$250.00. The appraised value of this land for mineral purposes is purely speculative (state actual value if known; if speculative, insert the words "purely speculative"). Attached is a sworn appraisal of the land and minerals by a disinterested party familiar with the land. The estimated tonnage or amount to be produced and general plan of operations are as follows:

Estimated amount produced: 1,000 bbl. per day, 70 lbs. salt per bbl., 35 tons salt per day, 1,050 tons salt per month.

Operational Plan: Circulate fresh water owned by Llano Disposal, LLC into the Salado formation at 2300 ft BGL to the Brine Sales Facility.

Cultural Resource Protection:

Please indicate that you (Applicant) have read the *Threatened & Endangered Species and Cultural Resources Notice to Applicants* and that you understand and agree to abide by the terms and conditions set forth therein. Yes X No

An Archaeological Survey is strongly recommended. If no survey is provided an Archaeological Records Management Section Inspection (ARMS Inspection) in accordance with NMAC 4.10.15.9 is required. If the ARMS Inspection is not provided by the applicant, the Land Office will provide the ARMS Inspection in the order applications are received.

NOTE TO APPLICANTS: Completion and submission of this lease application does NOT constitute issuance of a lease by the New Mexico State Land Office. The application fee is non-refundable. Any other payments submitted with this application will be deposited in a suspense account as provided by law and do not obligate the Commissioner of Public Lands to issue a lease. Rental payments are subject to refund if the application is denied. Rev. 7-1-2016

An Archaeological Survey is attached with a cover page labeled:

Confidential Exhibit _____.

Yes _____ No X _____

An ARMS Inspection is attached with a cover page labeled:

Confidential Exhibit _____.

Yes _____ No X _____

The Applicant would like the NMSLO to provide the ARMS Inspection:

Yes _____ No X _____

Shape Files:

Shape Files are optional with all applications.

Shape Files for this project are available: Yes ___ No X _____

If yes, the NMSLO lease analyst will contact you at the address you provide:

Applicant Shape File Custodian (email contact information): _____

2018 JUN 7 AM 9 02

I, Llano Disposal, LLC, the above applicant, do solemnly swear, or _____
(Company / Corporation Name)

affirm, that each and every statement made in this application is true and correct to the best of my knowledge and belief.

Llano Disposal, LLC
Applicant

By: _____
Attorney in Fact or Authorized Agent

Manager
(Title of Authorized Agent)

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Rev. 7-1-2016

2018 JUN 7 AM 9 02

To: Ed Martin
Acting Assistant Commissioner
New Mexico State Land Office
Post Office Box 1148
Santa Fe, New Mexico 87504-1148

From: Llano Disposal, LLC
PO Box 250
Lovington, NM 88260

Date: May 25, 2018

Subject: Brine Well Application – Pricing Structure
SW/4 NW/4 of Section 4, Township 13 South, Range 36 East
State 4 # 1
API No. 30-025-26370

Llano plans to charge the customer \$2.00 per barrel of brine water sold and expects production to be approximately 30,000 barrels per month.

Llano proposes to pay royalty to the State Land Office at a rate of \$.0333 per barrel sold and expects a monthly payment to the Land Office of \$999 for 30,000 barrels.

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Tuesday, April 24, 2018 4:21 PM
To: Darr Angell; 'Marvin'; Dannys (Elec And Permitting both)
Cc: Griswold, Jim, EMNRD; Estes, Bob, DCA
Subject: FW: bw-037
Attachments: 107597.pdf

Mr. Angell:

Good afternoon. Please find attached the letter of April 19, 2018 from Mr. Bob Estes Ph.D. Archeologist from the Department of Cultural Affairs Historic Preservation Division.

Per the letter, Mr. Estes recommends Llano Disposal, LLC contact Mr. David Eck with the State Land Office at (505) 827-5857 or via E-mail: deck@state.nm.us regarding the necessity of a survey.

Thank you.

Mr. Carl J. Chavez, CHMM (#13099)
New Mexico Oil Conservation Division
Energy Minerals and Natural Resources Department
1220 South St Francis Drive
Santa Fe, New Mexico 87505
Ph. (505) 476-3490
E-mail: CarlJ.Chavez@state.nm.us

“Why not prevent pollution, minimize waste to reduce operating costs, reuse or recycle, and move forward with the rest of the Nation?” (To see how, go to: <http://www.emnrd.state.nm.us/OCD> and see “Publications”)

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

From: Estes, Bob, DCA
Sent: Thursday, April 19, 2018 3:50 PM
To: Chavez, Carl J, EMNRD <CarlJ.Chavez@state.nm.us>
Subject: FW: bw-037

Afternoon Carl,

Here are SHPO comments for Llano disposal's permit application bw-037. The hard copy is in the mail .

If you have any questions or comments, please feel free to call me directly at 505-827-4225 or email me.

Sincerely,

Bob Estes Ph.D.
HPD Staff Archaeologist
New Mexico State Historic Preservation Division
407 Galisteo St., Suite 236

Santa Fe, New Mexico 87501

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

From: HPDXerox@state.nm.us [mailto:HPDXerox@state.nm.us]

Sent: Thursday, April 19, 2018 2:49 PM

To: Estes, Bob, DCA

Subject: bw-037

Please open the attached document. It was scanned and sent to you using a Xerox Multifunction Device.

Attachment File Type: pdf, Multi-Page

Multifunction Device Location: machine location not set

Device Name: HPD_Xerox_WorkCentre_5945

For more information on Xerox products and solutions, please visit <http://www.xerox.com>

Chavez, Carl J, EMNRD

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If you have any questions or comments, please feel free to call me directly at 505-827-4225 or email me.

Sincerely,

Bob Estes Ph.D.
HPD Staff Archaeologist
New Mexico State Historic Preservation Division
407 Galisteo St., Suite 236
Santa Fe, New Mexico 87501

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Susana Martinez
Governor

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
HISTORIC PRESERVATION DIVISION

BATAAN MEMORIAL BUILDING
407 GALISTEO STREET, SUITE 236
SANTA FE, NEW MEXICO 87501
PHONE (505) 827-6320 FAX (505) 827-6338

April 19, 2018

Carl Chavez
Environmental Engineer
Oil Conservation Bureau-Environmental Bureau Mining and Minerals Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Discharge permit (BW-037) Llano Disposal "State 4", Well No. 1. (HPD Log:107597)

Dear Mr. Chavez:

This letter is in response to the above referenced discharge permit application received at the Historic Preservation Division (HPD) on April 2, 2018. According to the application, the proposed project is within Township 13 South, Range 36 East, Section 4. State Land Office records show that the site is on split estate, with the NM State lands owning one portion of the estate.

I reviewed our records to determine if cemeteries, burial grounds or cultural resources listed on the State Register of Cultural Properties or the National Register of Historic Places exist within or near the permit area. Our records show that there are no cultural resources listed on the National Register or State Register within or near the proposed permit area and no known cemeteries or burial grounds.

Although there are no cultural resources listed on the State or National Register, our records show that the area has not been surveyed for cultural resources and there is no information about previously recorded archaeological sites near the project area of potential effect. Recent aerial photography shows that well location has been subjected to ground disturbance.

The "Notice of Publication" does not specify the owner of the surface estate, whereas, State Land Office (SLO) records show that the site is on split estate, with the NM State lands owning one portion. Because land status is not clear, SHPO recommends that the applicant contact David Eck, SLO Archaeologist, for guidance concerning the necessity for a survey. Mr. Eck's contact information is:

David Eck
State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501
(505) 827-5857
deck@state.nm.us

Please do not hesitate to contact me if you have any questions regarding these comments. I can be reached by telephone at (505) 827-4225 or by email at bob.estes@state.nm.us .

Sincerely,

A handwritten signature in blue ink that reads "Bob Estes". The signature is written in a cursive style with a large initial "B" and "E".

Bob Estes Ph.D.
Archaeologist

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Tuesday, January 2, 2018 10:40 AM
To: Kautz, Paul, EMNRD
Cc: Brown, Maxey G, EMNRD; Griswold, Jim, EMNRD
Subject: RE: C-101 package for Brine Supply Well Llano Disposal, State 4 # 001 30-025-26370
Attachments: New and Mod WQCC Notice Regs.pdf; PN Flow Chart.20.6.2new and mods.pdf

Paul:

Good morning and happy new year! OCD-SF was not aware of the application or at least Jim if he received it, did not forward it to me.

Please send me all the information, including application, forms, etc. to review. OCD-SF will conduct a WQCC Discharge Permit review process (see attached regs. and flow chart) on the WQCC Discharge Permit process.

OCD-SF generally makes an applicant submit a CBL, etc. to ensure any converted oil/gas wells are in good shape to become brine wells.

OCD-SF will communicate with OCD-Hobbs on the forms and application.

Please contact me if you have questions or wish to communicate further in this matter. Otherwise, OCD-SF will begin the review process and communicate with OCD-Hobbs on any Conditions of Approval it may recommend to OCD-Hobbs in the form review process. OCD-Hobbs should wait for communication on the forms from OCD-SF.

Thank you.

Mr. Carl J. Chavez, CHMM (#13099)
New Mexico Oil Conservation Division
Energy Minerals and Natural Resources Department
1220 South St Francis Drive
Santa Fe, New Mexico 87505
Ph. (505) 476-3490
E-mail: CarlJ.Chavez@state.nm.us

“Why not prevent pollution, minimize waste to reduce operating costs, reuse or recycle, and move forward with the rest of the Nation?” (To see how, go to: <http://www.emnrd.state.nm.us/OCD> and see “Publications”)

From: Griswold, Jim, EMNRD
Sent: Friday, December 22, 2017 2:47 PM
To: Chavez, Carl J, EMNRD <CarlJ.Chavez@state.nm.us>
Subject: FW: C-101 package for Brine Supply Well Llano Disposal, State 4 # 001 30-025-26370

From: Kautz, Paul, EMNRD
Sent: Thursday, December 21, 2017 3:01 PM
To: Griswold, Jim, EMNRD <Jim.Griswold@state.nm.us>

Cc: Brown, Maxey G, EMNRD <MaxeyG.Brown@state.nm.us>

Subject: C-101 package for Brine Supply Well Llano Disposal, State 4 # 001 30-025-26370

Hi Jim,

I have a C-101 application to re-enter State 4 # 001 well, API # 30-025-26370 and convert it to a Brine Supply Well. Is their application for a brine well at the point where a C-101 can be approved or do you need to see a copy of this application. Let me know.

Paul Kautz
Hobbs District Geologist
Energy Minerals Natural Resources Dept.
Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240
575-393-6161 ext. 104

Chavez, Carl J, EMNRD

From: danny@pwllc.net
Sent: Friday, January 5, 2018 10:29 AM
To: Chavez, Carl J, EMNRD
Subject: Proposed C-103 - State 4 #1 (30-025-26370)
Attachments: State 4 #1 C-102 and C-103 Submitted to OCD 010518.pdf

Carl,
Per our discussion on Wednesday and my discussion with Paul Kautz yesterday, Llano proposes to submit the attached C-102 and C-103 (notice of intent) for approval to do the plug drill out and running CBL/caliper logs we discussed on the subject well. Paul advises that the C-102 and C-103 (when approved) would put the well in Llano's name. Additionally, we expect to submit the WQCC bond to Santa Fe next week.

You asked for a copy of the attached submittal. Could you please review it and provide any comments prior to our submittal to the District 1 Office. If you have any questions, please let me know.

Thank you,
Danny J. Holcomb
Cell: 806-471-5628
Email: danny@pwllc.net

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone: (575) 393-6161 Fax: (575) 393-0720
District II
 811 S. First St., Artesia, NM 88210
 Phone: (575) 748-1283 Fax: (575) 748-9720
District III
 1000 Rio Brazos Road, Aztec, NM 87410
 Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505
 Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico

Form C-101
 Revised July 18, 2013

Energy Minerals and Natural Resources

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

HOBBS OCD
DEC 21 2017
RECEIVED

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Llano Disposal, LLC PO Box 190 Lovington, NM 88260		² OGRID Number 370661
		³ API Number 30-025-26370
⁴ Property Code	⁵ Property Name State '4'	⁶ Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
E	4	13S	36E		1980	N	660	W	Lea

8. Proposed Bottom Hole Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County

9. Pool Information

Pool Name BSW; Salado	Pool Code 96173
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Additional Well Information

¹¹ Work Type E	¹² Well Type M	¹³ Cable/Rotary R	¹⁴ Lease Type S	¹⁵ Ground Level Elevation 3997
¹⁶ Multiple N	¹⁷ Proposed Depth 3100	¹⁸ Formation Salado	¹⁹ Contractor Unknown	²⁰ Spud Date Unknown
Depth to Ground water 40' - 75'		Distance from nearest fresh water well ~1125 feet		Distance to nearest surface water Greater than 1 mile

We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surface	17-1/2"	13-3/8"	61	382	420	Surface - In Place
Intermed	11"	8-5/8"	32/28/24	4589	1900	Surface - In Place
N/A	7-7/8"	None	N/A	Existing TD 13476'	N/A	N/A

Casing/Cement Program: Additional Comments

Enclosures: Wellbore diagram, C102, Copy of original C102, C103 (proposed procedure)

22. Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double/Pipe/Blinds	3000	3000	Cameron/Schaffer

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> , if applicable. Signature: <i>DJ Holcomb</i> Printed name: Danny J. Holcomb Title: Agent for Llano Disposal, LLC E-mail Address: danny@pwllc.net Date: 12/18/2017	OIL CONSERVATION DIVISION	
	Approved By:	
	Title:	
	Approved Date:	Expiration Date:
	Conditions of Approval Attached	
	Phone: 806-471-5628	

Submit 1 Copy To Appropriate District Office
 District I - (575) 393-6161
 1625 N. French Dr., Hobbs, NM 88240
 District II - (575) 748-1283
 811 S. First St., Artesia, NM 88210
 District III - (505) 334-6178
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV - (505) 476-3460
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources
OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Form C-103
 Revised July 18, 2013

HOBBS OGD
DEC 21 2017
RECEIVED

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-26370
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other - PxA Well <input type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Llano Disposal, LLC		6. State Oil & Gas Lease No.
3. Address of Operator PO Box 190, Lovington, NM 88260		7. Lease Name or Unit Agreement Name State '4'
4. Well Location Unit Letter <u>E</u> : <u>1980</u> feet from the <u>North</u> line and <u>660</u> feet from the <u>West</u> line Section <u>4</u> Township <u>13S</u> Range <u>36E</u> NMPM <u>Lea</u> County		8. Well Number <u>1</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3997' GL		9. OGRID Number 370661
10. Pool name or Wildcat BSW; Salado		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input checked="" type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input checked="" type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
CLOSED-LOOP SYSTEM <input checked="" type="checkbox"/>			
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

- Proposed procedure to drill out plugs # 7 and #8 to covert well to brine supply well service (pending BW order approval):
- 1) Back drag/level location, set anchors, dig out around existing PxA marker, MI welder, cut off PxA marker, reveal good 13-3/8" and 8-5/8" casing, install new casing and tubing head at ground level.
 - 2) MIRU pulling unit, NU BOP, unload and tally 2-7/8" workstring, set 2 frac tanks and fill one with FW. MIRU reverse unit, swivel and stripping head, RIH with 7-7/8" skirted MT bit, bit sub, four 4-3/4" DCs and 2-7/8" workstring, drill cement plug #8 (surface to 30') and plug # 7 (1700' - 1900') utilizing closed loop system.
 - 3) Tag plug #6 at 4550', circulate hole clean, close BOP, test casing to 300#, POOH & SB 2-7/8" workstring, LD bit, bit sub and DCs.
 - 4) RIH with whipstock and cutter. Cut window in 8-5/8" casing, top of window at 2420', bottom of window at 2430', POOH & SB workstring LD whipstock and cutter. RIH with 4-3/4" bit, bit sub, four DCs and 2-7/8" workstring, CO hole to 4550'. POOH & LD workstring, DCs, bit sub and bit.
 - 5) MIRU WL, RIH with 8-5/8" CIBP, set at 2480', cap with 10' of cement, POOH & RDMO WL.
 - 6) RIH with 3-1/2" IPC tubing and 8-5/8" Baker dual port packer with 510' of 2-7/8" FG tailpipe, work tailpipe into window and set packer at 2395, land tailpipe at 2900'.
 - 7) ND BOP, NU tubing head, cap well with dual port B-1 flange and valves. RDMO pulling unit, reverse unit and tanks.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE DJ Holcomb TITLE Agent for Llano Disposal LLC DATE 12/18/2017

Type or print name Danny J. Holcomb E-mail address: danny@pwillc.net PHONE: 806-471-5628

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any): _____

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-4-55

All distances must be from the outer boundaries of the Section.

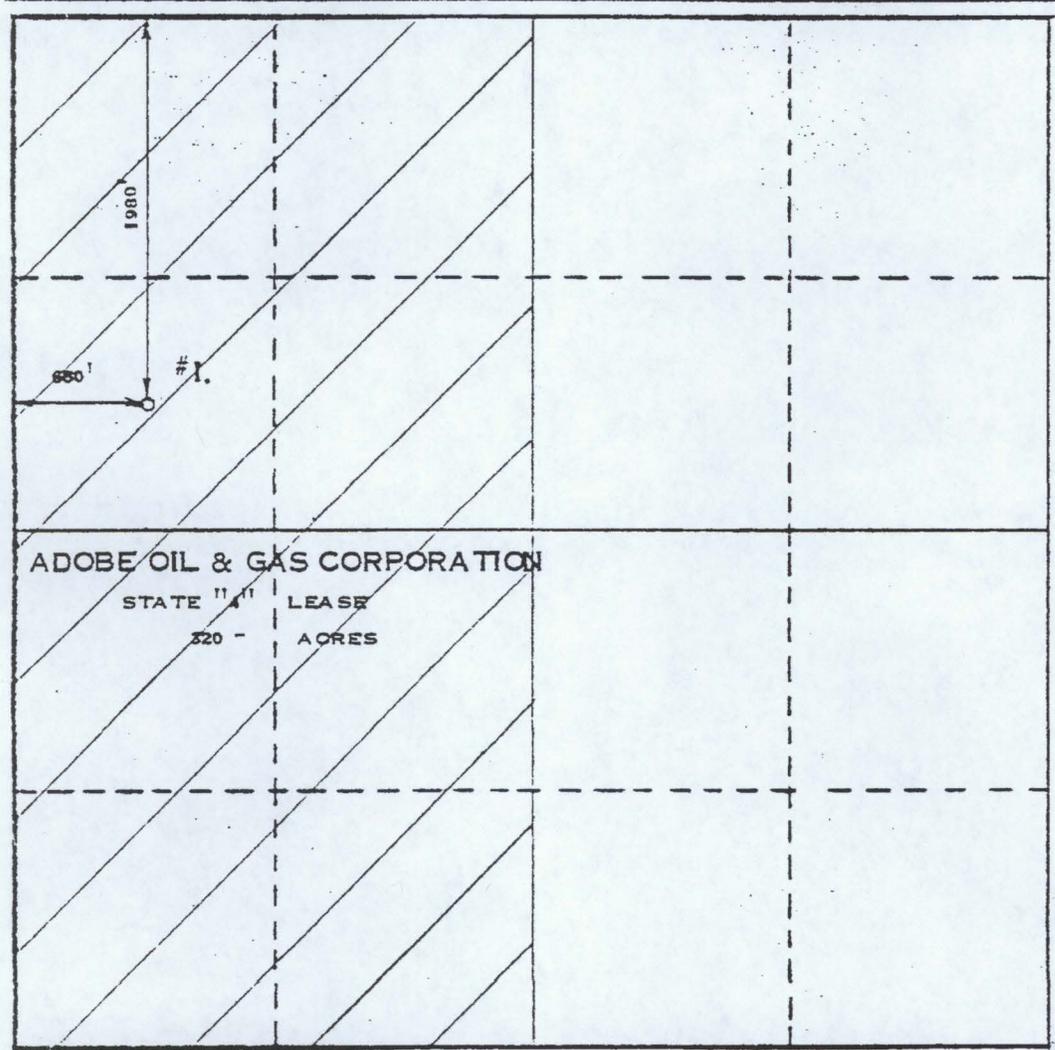
Operator ADOBE OIL & GAS CORPORATION			Lease STATE "4"		Well No. 1
Unit Letter "E"	Section 4	Township 13-S	Range 36-E	County LEA	
Actual Footage Location of Well:					
1980		feet from the NORTH	line and 660	feet from the WEST	line
Ground Level Elev. 3997	Producing Formation MISSISSIPPIAN		Pool WILDCAT	Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

M. D. Rogers

Name
M. D. Rogers

Position
Vice President

Company
Adobe Oil & Gas Corporation

Date
July 6, 1979

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
JUNE 29, 1979

Registered Professional Engineer and/or Land Surveyor
Max A. Schwann Jr.
MAX A. SCHWANN JR.

Certificate No.
1510

Holcomb Consultants
6900 Spring Cherry Lane
Amarillo, Texas 79124

January 5, 2018

NMOCD District 1
1625 N. French Drive
Hobbs, NM 88240
Attn: Mr. Paul Kautz

Re: State 4 #1 – 30-025-26370

Dear Mr. Kautz,

Per our telephone call on 1/4/18 referencing the subject well, attached are copies of the C-102 and C-103 you requested. The C-103 requests permission to drill out the top two plugs in this well in order to obtain a casing bond log, compensated neutron log and caliper log. This work was agreed upon by Mr. Carl Chavez of the Environmental Bureau during discussions to consider this well for conversion to a brine service well.

If you have any questions concerning any of these forms, please let me know. Thank you in advance for your consideration.

Sincerely,



Danny J. Holcomb
Agent for Llano Disposal, LLC

Email: danny@pwlc.net

Cell: 806-471-5628

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-26370		² Pool Code 96173		³ Pool Name BSW; Salado	
⁴ Property Code		⁵ Property Name State '4'			⁶ Well Number 001
⁷ OGRID No. 370661		⁸ Operator Name Llano Disposal, LLC			⁹ Elevation 3997

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	4	13S	36E		1980	N	660	W	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. (Pending WQCC Discharge Permit approval)
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division. **33.2225075, -103.3154755 NAD83**

¹⁶ 	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i>		
	 Signature		1/5/2018 Date
	Danny J. Holcomb – Agent for Llano Disposal Printed Name danny@pwllc.net E-mail Address		
¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>			See Original Survey dated 7/6/1979 attached Date of Survey Signature and Seal of Professional Surveyor:
See Original Survey dated 7/6/1979 attached Certificate Number			

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

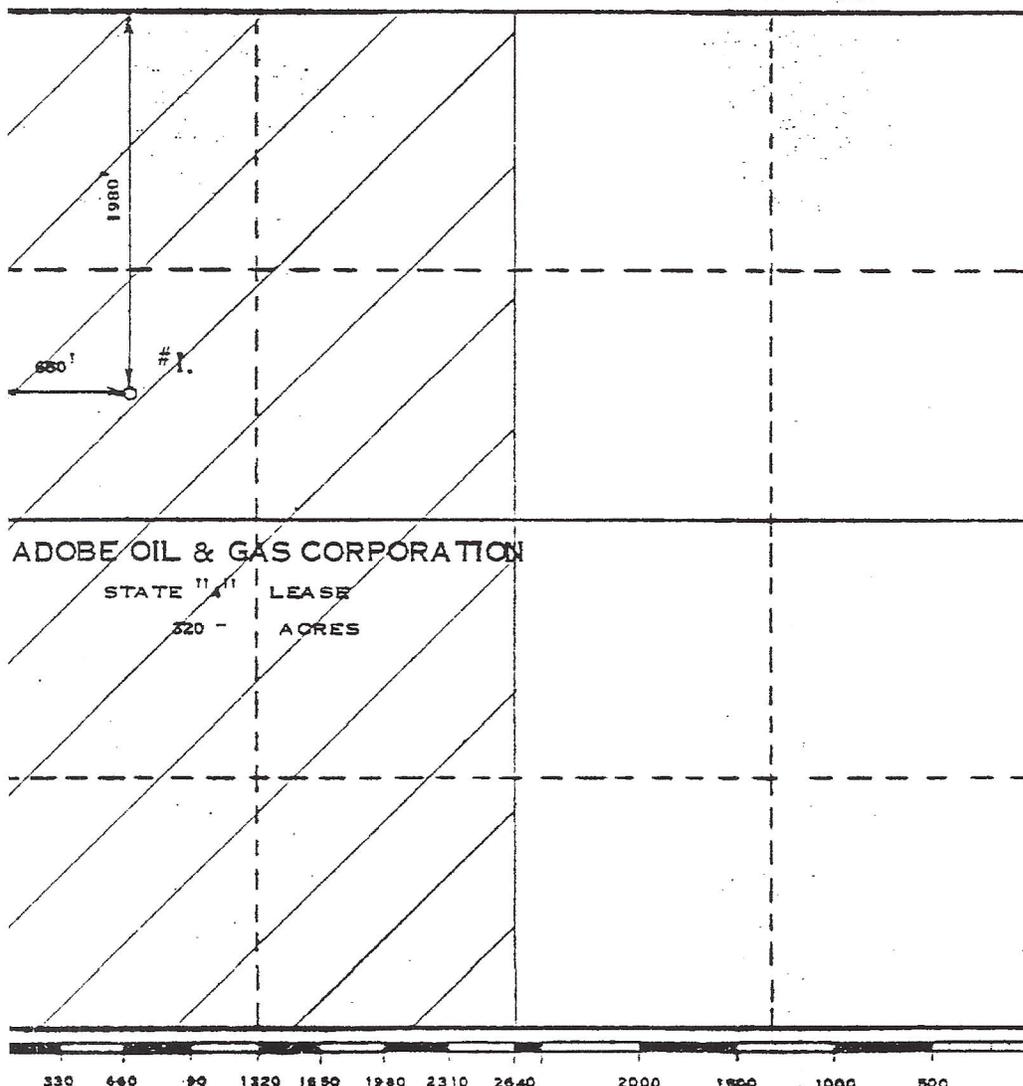
Operator DOBE OIL & GAS CORPORATION			Lease STATE "4"		Well No. 1
1st Letter "E"	Section 4	Township 13-S	Range 36-E	County LEA	
Actual Footage Location of Well: 1980 feet from the NORTH line and 660 feet from the WEST line					
Ground Level Elev. 3997	Producing Formation MISSISSIPPIAN		Pool WILDCAT	Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
<i>M. D. Rogers</i>	
Name	M. D. Rogers
Position	Vice President
Company	Adobe Oil & Gas Corporation
Date	July 6, 1979
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.	
Date Surveyed	JUNE 29, 1979
Registered Professional Engineer and/or Land Surveyor <i>Max A. Schumann Jr.</i> MAX A. SCHUMANN JR.	
Certificate No.	1510

Submit 1 Copy To Appropriate District Office
 District I – (575) 393-6161
 1625 N. French Dr., Hobbs, NM 88240
 District II – (575) 748-1283
 811 S. First St., Artesia, NM 88210
 District III – (505) 334-6178
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV – (505) 476-3460
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised July 18, 2013

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-025-26370
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name State '4'
8. Well Number 1
9. OGRID Number 370661
10. Pool name or Wildcat BSW; Salado
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3997' GL

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other - PxA Well

2. Name of Operator
Llano Disposal, LLC

3. Address of Operator
P.O. Box 190, Lovington, NM 88260

4. Well Location
 Unit Letter E : 1980 feet from the North line and 660 feet from the West line
 Section 4 Township 13S Range 36E NMPM Lea County

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input checked="" type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
CLOSED-LOOP SYSTEM <input checked="" type="checkbox"/>			
OTHER: Run CBL, CNL and caliper log <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

In accordance with discussions with OCD Environmental Bureau, Llano Disposal LLC proposes to re-entry this P&A well to inspect casing for possible conversion to brine supply well service pending WQCC Discharge Permit approval:

- 1) Back drag/level location, set anchors, dig out around existing PxA marker, MI welder, cut off PxA marker, reveal good 13-3/8" and 8-5/8" casing, install new casing (if necessary) and well head at ground level.
- 2) MIRU pulling unit, NU BOP, unload and tally 2-7/8" workstring, set 2 frac tanks and fill one with FW. MIRU reverse unit, swivel and stripping head, RIH with 7-7/8" skirted MT bit, bit sub, four 4-3/4" DCs and 2-7/8" workstring, drill cement plug #8 (surface to 30') and plug # 7 (1700' – 1900') utilizing closed loop system.
- 3) Tag plug #6 at 4550', circulate hole clean, close BOP, test casing to 300#, POOH & LD 2-7/8" workstring, DCs, bit sub and bit.
- 4) MIRU WL, run CBL, CNL and casing caliper log from PBTD at 4550' to surface, RDMO WL.
- 5) ND BOP, install B-1 adaptor, secure and close in well, RDMO pulling unit, reverse unit and tanks.
- 6) Submit CBL, CNL and caliper log to OCD Environmental Bureau (SF) and OCD District 1 (Hobbs) to make a better determination on proposed window depth and tubing depth. Suspend further well work until additional permitting is approved.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE DJ Holcomb TITLE Agent for Llano Disposal, LLC DATE 1/5/2018
 Type or print name Danny J. Holcomb E-mail address: danny@pwllc.net PHONE: 806-471-5628
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____

CURRENT WELLBORE

P&A Well

Llano Disposal, LLC

State '4' #1

API # 30-025-26370

1980' FNL x 660' FWL, UL 'E', Sec 4, T13S, R36E, Lea County, NM

