

June 2, 2020

New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*VIA EMAIL*

Attn: Mike Bratcher, District Supervisor  
Phillip Goetze, Engineering Bureau

*Re: Status & recent reporting issues, Ray Westall Operating, Inc.'s Empire Deep 29  
Federal SWD Well No.2, API No.30-015-32252 located in Section 29, Township 17  
South, Range 29 East, NMPM, Eddy County, New Mexico.*

Dear Sirs,

You are both aware of the current issue regarding the Empire Deep 29 Federal SWD Well No.2. The issue is based in the [sundry] reporting and the activities described, particularly with the hydrocarbon testing reported for the well.

Donnie Mathews is the operations supervisor for RWO and was present during all activities on the well. As was stated in the daily summary report, which was submitted with the sundry notice, after perforating the well and running tubing and packer on 11/22/2019, the well was shut in over the weekend. On 11/25/2019, after checking tubing pressure, the well was allowed to flow into the reverse pit (open top) and the OCD District II office and BLM were contacted. Mr. Bratcher was informed of plans to test the well – he said if no one from OCD showed up to witness, RWO may continue operations. By noon the following day, OCD had not shown and nearly 900 barrels of water had been flowed back. Throughout the flowback, Mr. Mathews caught some samples in a bottle for viewing and visual inspections of the tank were made by him, Steve Clements (RWO) and Martine Rodriguez (Cavalo's Well Service) as well as most of the pulling unit hands from L&R Well Service. There was no sheen apparent in the tank or bottles and nothing to cause the flowback to optically appear as if any hydrocarbons might be present. The practice was something Mr. Mathews and others on location had performed many times over the years on various projects to comply with OCD's stated mandate to test for hydrocarbon potential and included in every SWD order. Mr. Mathews has submitted samples for analysis many times when there was some visual evidence that an actual analysis might be necessary. No one on who viewed the flowback had any reason to suspect that the fluids were anything but 100 percent water.

The well was shut in for the Thanksgiving holiday period and on 12/06/2019, it was acidized with 10,000 gallons of 15% HCl. The well flowed back 1050 bbls. On 1/15/2020, new 2-7/8" IPC tubing was received and run with the packer set at 9070'.

As operations continued to finalize the conversion to SWD, OCD was notified on 1/17/2020 and scheduled for the MIT - BLM was also notified. A successful MIT was performed on 1/22/2020; the chart and all field operations were summarized into a sundry report and submitted to the OCD the same day.

Ray Westall Operating believes they implemented a successful conversion of the well to salt water disposal. All personnel employed by or contracted by RWO to perform this conversion acted in good faith to perform the work safely and in accordance with the approved permit, SWD-1716 and all applicable OCD and BLM rules and regulations.

The well is actively injecting and RWO now needs to make required monthly volume reports.

We respectfully request that the status of this well be updated in OCD records to reflect it being an Active Salt Water Disposal well. If you or your staff requires additional information or has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in blue ink, appearing to read "Ben Stone".

Ben Stone, Partner  
SOS Consulting, LLC  
Agent for Ray Westall Operating, Inc.

Cc: SOS well file