DATE IN 5.14.12	SUSPENSE	ENGINEER WVJ	LOGGED IN 5.14.12	TYPE SWD	APP NO. pMEW1216941038

ABOVE THIS LINE FOR DIVISION USE ONLY

Final 9/24/12

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505

Basic Energy Services 246368

Shugart State #2

30-015-32438

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX X SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

JL-16-18S-31E

RECEIVED
B.L.M. - MAILROOM
2012 MAY 10 PM 12:03
STATE OFFICE
SANTA FE, NEW MEXICO

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] X For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

5150 - 5740

1200 PSI

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative pproval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this pplication until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

wid H. Alvarado		SENM District Fluids Sales Mgr.	2/9/12
rint or Type Name	Signature	Title	Date

david.alvarado@basicenergyservices.com
e-mail Address

BASIC ENERGY SERVICES

Basic Energy Services
NM Fluid Sales

Per New Mexico Oil Conservation Division Rules and Regulations, please find the enclosed a copy of NMOCD form C-108.

BASiC Energy Services P.O. Box 10460, Midland Texas 79702 has filed form C-108 (Application for Authorization to Inject) with the New Mexico Oil Conservation Division.
BASiC Energy Services is seeking administrative approval of the conversion of the Shugart State # 002 API # 30-015-32438, 1850 FSL & 1650 FWL, Unit "K" , Section 16, Township 18 South, Range 31 East, Eddy county New Mexico from a abandon plugged gas well to a Lower Delaware commercial salt water disposal well.
The disposal interval would be from 5150'– 5740' feet.
Disposal fluid would be produced water trucked in from numerous producing formations in South Eastern New Mexico only by BASiC Energy Services trucking department.
BASiC Energy Services anticipates a disposal rate of 3500 BWPD with a maximum disposal rate of 5000 BWPD.
The anticipated disposal surface pressure of the Sugart State # 2 approximated at 1000 psi with a maximum disposal pressure of 1200 psi if granted. Well is located 4.5 mile to the south of HWY 82 on County Rd. 222 and half mile east.

Sincerely,

Lyn Sockwell
Director of Environmental
P.O. Box 10460
Midland Texas 79702
Phone: 432.620.5500
Lyn.Sockwell@basicenergyservices.com

VII Proposed Operation Data

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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

FORM C-108
Revised June 10, 2003

APPLICATION FOR AUTHORIZATION TO INJECT

I. PURPOSE: _____Secondary Recovery _____Pressure Maintenance __**SWD**__Disposal _____Storage
Application qualifies for administrative approval? __**x**__Yes _____No

II. OPERATOR: **Basic Energy Services LP**

ADDRESS: **P.O. Box 10460 Midland, Texas 79702**

CONTACT PARTY: **Lyn Sockwell** PHONE: **432. 620.5500**

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 **X** 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 geologic data on the injection zone including appropriate lithologic detail, geologic 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 sources 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 sources of drinking water.

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

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

NAME: **David H. Alvarado** TITLE: **SENM District Fluid Sales Mgr.**

SIGNATURE: _____ DATE: 8/9/12

E-MAIL ADDRESS: **david.alvarado@basicenergyservices.com**

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

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District Office

III. WELL DATA

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

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

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

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

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

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

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

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

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

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

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

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

XIV. PROOF OF NOTICE

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

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

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

(2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;

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

(4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

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

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

Side 1

INJECTION WELL DATA SHEET

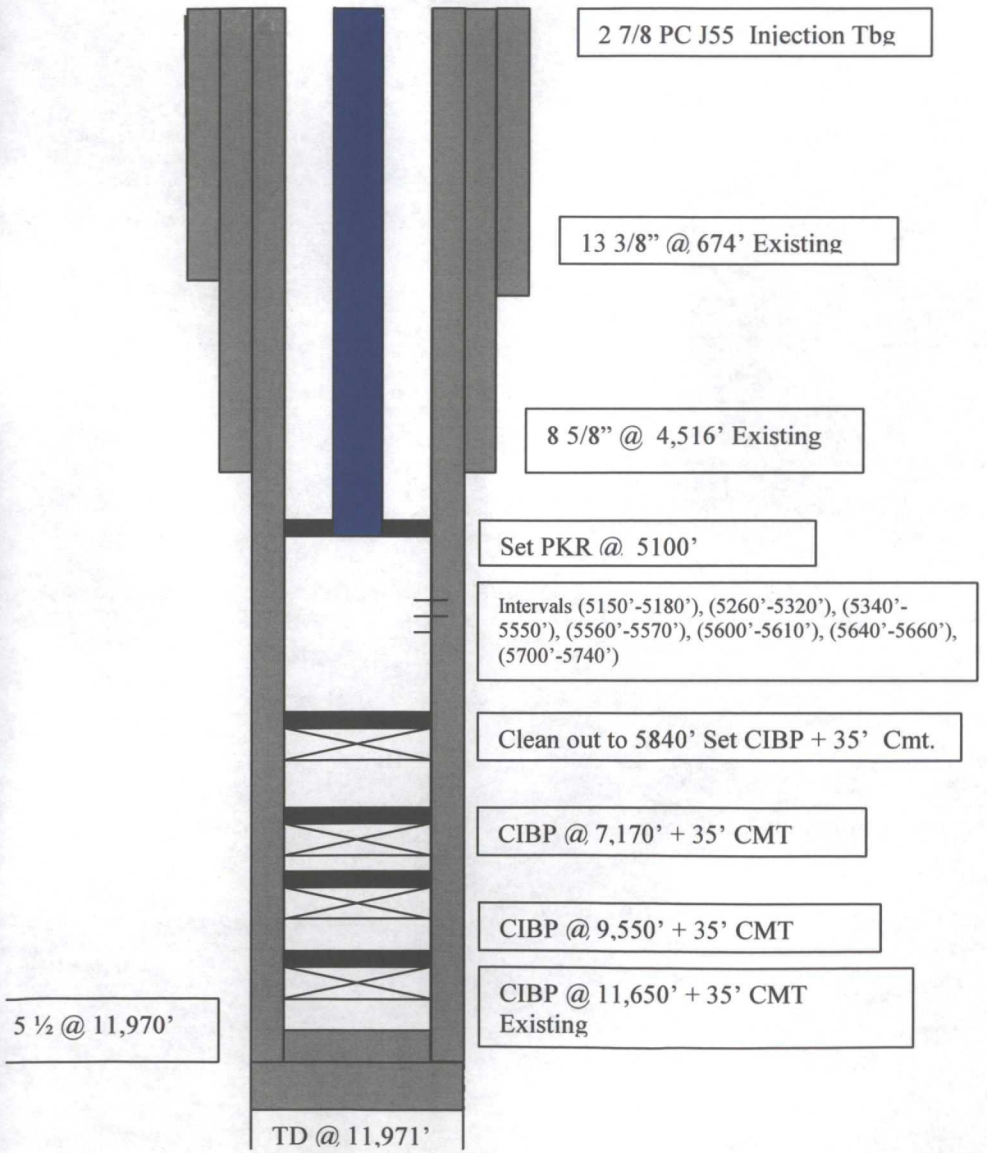
OPERATOR: **Basic Energy Services LP**

WELL NAME & NUMBER: **Shugart State Com # 2**

WELL LOCATION: **1850' FSL,** **1650' FWL** **K** **16** **T18S** **31E ,**

FOOTAGE LOCATION | UNIT LETTER | SECTION | TOWNSHIP | RANGE

WELLBORE SCHEMATIC



WELL CONSTRUCTION DATA

Surface Casing

Hole Size: **17 ½"** Casing Size: **13 3/8 48 #**

Cemented with: **580** sx. *or* _____ ft^3

Top of Cement: **Surface** Method Determined: **C-105**

Intermediate Casing

Hole Size: 11" Casing Size: **8 5/8 " 32#**

Cemented with: **1410** sx. *or* _____ ft^3

Top of Cement: **Surface** Method Determined: **C-105**

Production Casing

Hole Size: **7 7/8 "** Casing Size: **5 ½" 17#**

Cemented with: **2000** sx. *or* _____ ft^3

Top of Cement: **Surface** Method Determined: **C-105**

Total Depth: **11,970'**

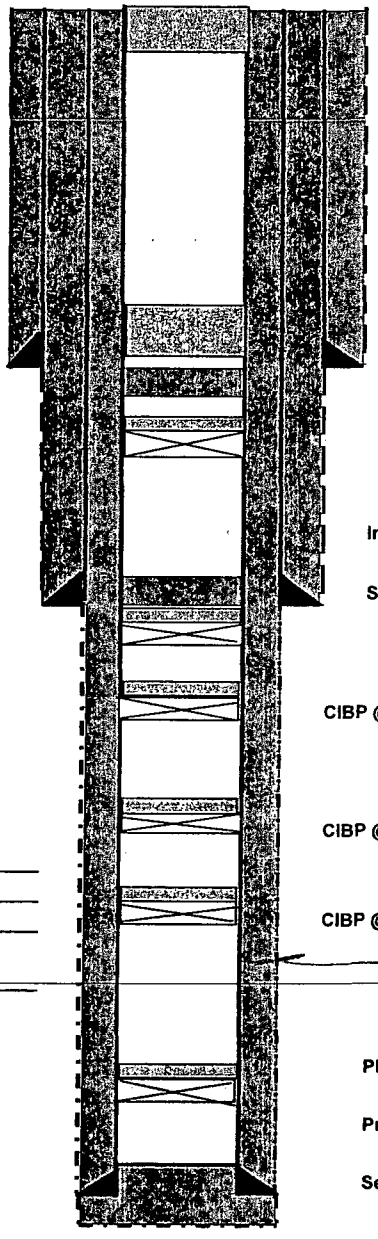
Injection Interval

5150' feet To **5740'**

(Perforated)

CURRENT

Basic Energy Services LP
Shugart State Com # 2
1850" FSL, 1650' FWL, Unit (K), Sec 16, T18S, R31E
API # 30-015-32438 Eddy County



Tree Conection P&A

Surface Hole
Bit Size 17 1/2"

Surface Casing: 13 3/8" 48#
Setting Depth @ 674' 580sx TOC Surf.

CIBP @ 3900' + 35' CMT

Inter. Hole
Bit Size 11"

Interm. Casing: 8 5/8" 32#
Setting Depth: 4,516' 1410sx
Circulated to Surface

CIBP @ 4,990' + 35' CMT

CIBP @ 5,920' + 35'

Cement Data:

Lead -

Tail -

CIBP @ 7,170' + 35' CMT

CIBP @ 9,550' + 35' CMT

DV Tool @ 9,723'

Note -

CIBP @ 11,650' + 35' CMT

PBTD: 11,913'

Production Csg.: 5 1/2" 17#

Bit size 7 7/8"

Setting Depth @ 11,970' 2000sx
Circulated to Surface

TD @ 11,970'

SHUGART STATE COM #2

LEGACY RESERVES

Current Wellbore Configuration

Before PLUGGING

FIELD: SHUGART, NORTH (MORROW)

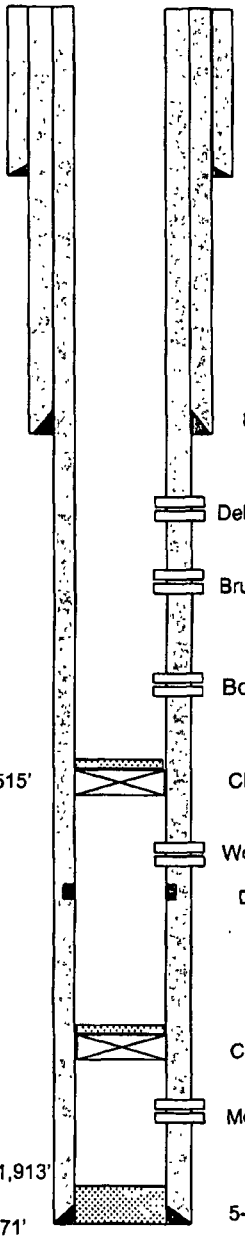
KB: 3,682'

COUNTY, STATE: EDDY, NEW MEXICO

GL: 3,659'

LOCATION: 1650' FWL & 1,850' FSL, Sec 16, T18S, R31E

API #: 3001532438



13 3/8" 32# H-40 @ 674' cmt W/240sx. Circ'd

Downhole Equipment:

None.

8 5/8" 32#, N-80 & J-55 @ 4,516' cmt w/1160sx. Circ'd

Delaware: 5,034'-5,044'

Brushy Canyon: 5,962'-5,974',

Bone Spring: 7,218'-7,248',

PBTD: 9,515'

CIBP @ 9,550' w/35' cmt on top (9,515')

Wolfcamp: 9,611'-9,626'.

DV tool @ 9,723'

CIBP @ 11,650' w/35' cmt on top (11,615')

Morrow: 11,695'-11,705', 11,744'-11,751', 11,754'-11,768'

Orig PBTD: 11,913'

TD: 11,971'

5-1/2", 17#, P-110 & N-80, @ 11,970' cmt w/2,000sx. Circ'd. DVT @ 9,723'.

DP Darden DATE: 10/16/08

SHUGART STATE COM #2

LEGACY RESERVES

P&A'd Wellbore Configuration

FIELD: SHUGART, NORTH (MORROW)

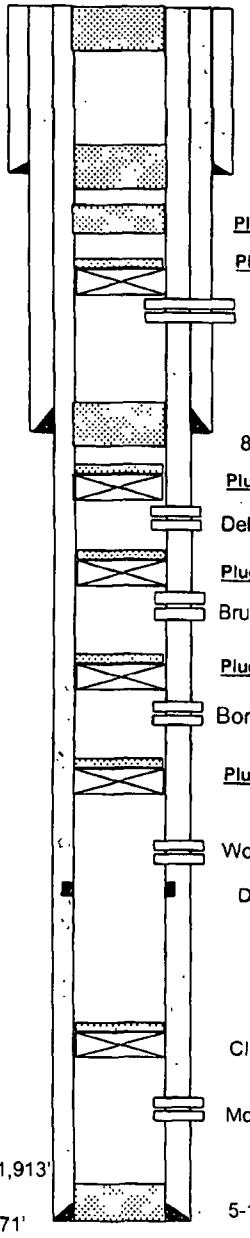
COUNTY, STATE: EDDY, NEW MEXICO

LOCATION: 1650' FWL & 1,850' FSL, Sec 16, T18S, R31E

KB: 3,682'

GL: 3,659'

API #: 3001532438



Plug : Surf plug 0'-60' (1/21/09).

Plug 8: Across Surf csg shoe 621'-850' tag'd @ 621' (1/21/09).

13 3/8" 32# H-40 @ 674' cmt W/240sx. Circ'd

Plug 7: Across top of Yates/base of salt 2100'-2250' tag'd @ 2100' (1/21/09).

Plug 6: Set CIBP @ 3900' & 35' cmt on top (1/20/09).

Grayburg: 3,941'-4,040'

Plug 5: Across Int csg shoe 4409'-4570' tag'd @ 4409' (1/20/09).

8 5/8" 32#, N-80 & J-55 @ 4,516' cmt w/1160sx. Circ'd

Plug 4: Set CIBP @ 4990' & 35' cmt on top (1/20/09).

Delaware: 5,034'-5,044'

Plug 3: Set CIBP @ 5920' & 35' cmt on top (1/19/09).

Brushy Canyon: 5,962'-5,974',

Plug 2: Set CIBP @ 7170' & 35' cmt on top (1/19/09).

Bone Spring: 7,218'-7,248',

Plug 1: CIBP @ 9,550' w/35' cmt on top tag'd @ 9,510' (1/16/09).

Wolfcamp: 9,611'-9,626'.

DV tool @ 9,723'

CIBP @ 11,650' w/35' cmt on top (11,615')

Morrow: 11,695'-11,705', 11,744'-11,751', 11,754'-11,768'

Orig PBTD: 11,913'

TD: 11,971'

5-1/2", 17#, P-110 & N-80, @ 11,970' cmt w/2,000sx. Circ'd. DVT @ 9,723'.

DP Darden DATE: 1/23/09

BR

INJECTION WELL DATA SHEET

Tubing Size: **2 7/8 J-55** Lining Material: Plastic Coated

Type of Packer: **Arrow Set 2 7/8" X 5 ½" Nickel SS W/ "F" Nipple & ON / Off Tool**

Packer Setting Depth: **5100'**

Other Type of Tubing/Casing Seal (if applicable): _____

Additional Data

1. Is this a new well drilled for injection? _____ Yes **XX** No

   If no, for what purpose was the well originally drilled? **Gas / Oil**

   _____

2. Name of the Injection Formation: **Lower Delaware Sands**

3. Name of Field or Pool (if applicable): **N/A**

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. **11,695'-11,705', 11,744'-11,751', 11,754'-11,768', 9,611'-9626', 7218'-7248', 5962'-5974', 5,034'-5,044', 3,941'-4,040' Plugs are as Follow: CIBP@ 11,650' +35' CMT, CIBP@ 9,550' + 35' CMT, CIBP@ 7,170' + 35' CMT, CIBP@ 5,920' + 35' CMT, CIBP@ 4,990' +35' CMT, Plug 4,409'- 4570', CIBP@ 3,900' + 35' CMT, Plug 2,100 – 2,250', Plug 621'-850', plug 0-60' Surf**

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: **Overlaying Yates, 7 Rivers, Grayburg, Queen,** _____,

   Under laying Zones are as follows Bone Springs, Wolfcamp, / Cisco, Strawn, Atoka, Morrow

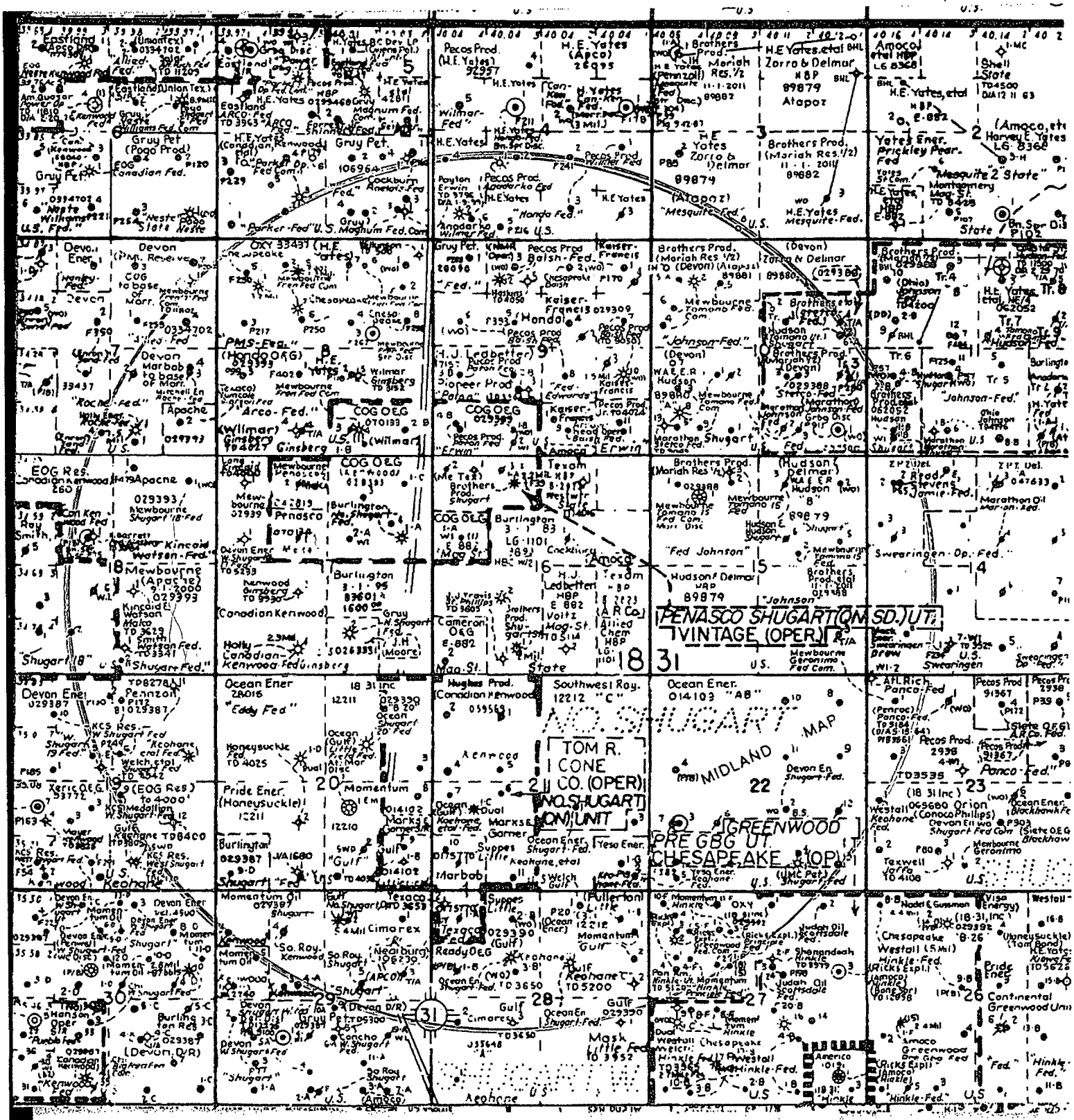
   _____

   _____

V

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL,
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY New Mexico

MAP OF WELLS AND LEASES WITHIN TWO MILES OF PROPOSED INJECTION ON THE
SHUGART STATE #2 WITH A ½ MILE RADIUS MAP OF ALL WELLS WITH IN AOR.



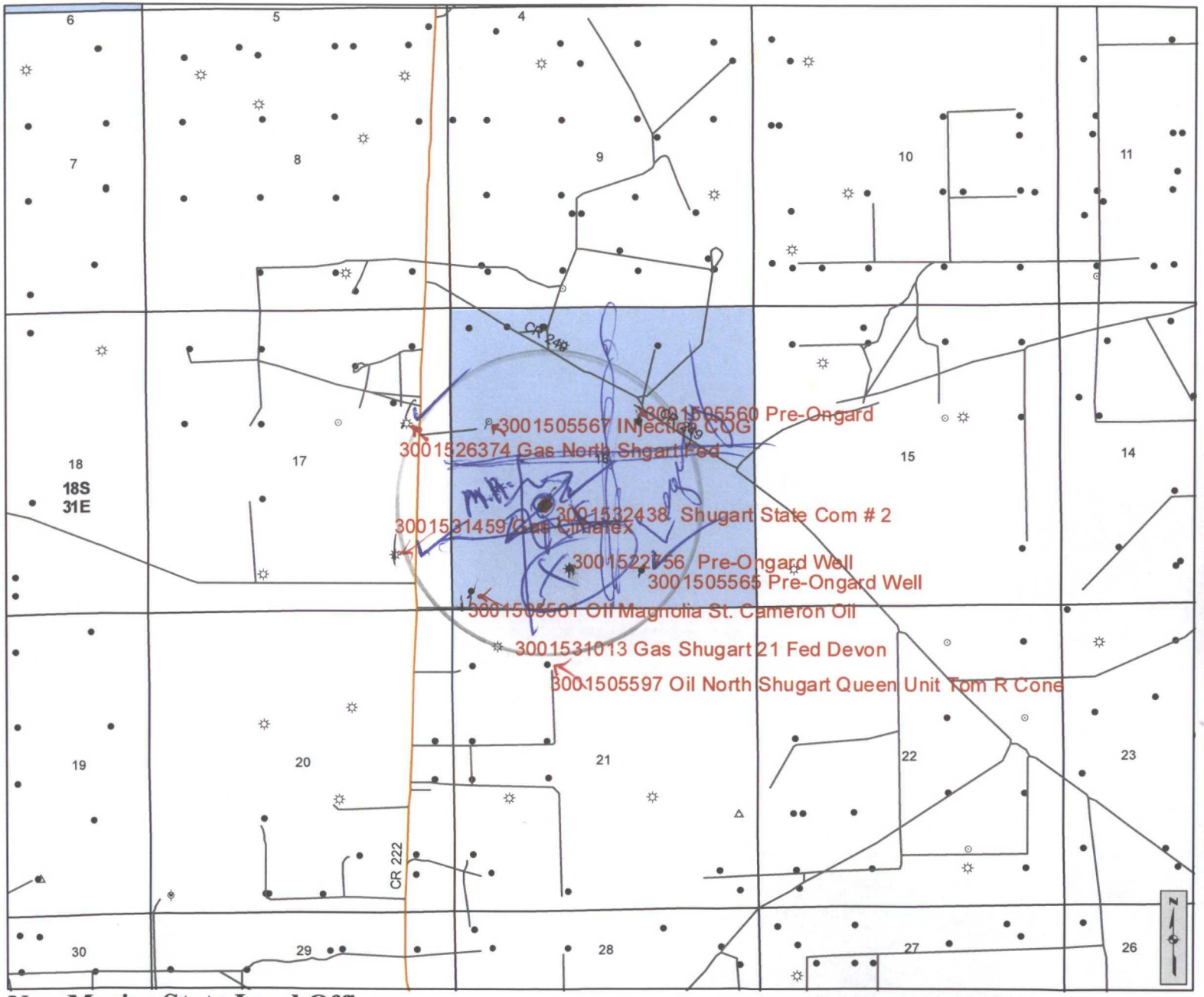
Sec 16 T-18-S R 31 E

Eddy County, NM

VI

SHGART STATE # 2
API # 3001532438
1850' FSL, 1650' FWL
SEC. 16, T18S, 31E, UNIT K
EDDY COUNTY NEW MEXICO

TABULATION OF ALL WELLS AND LEASES OF PUBLIC RECORD WITCH PENETRATE THE PROPOSED INJECTION ZONE WITH SCHEMATIC OF ALL PLUGGED WELLS ILLUSTRATING ALL PLUGGING DETAIL WITH IN AOR



Point Locations
- County Seat
- SLO District Offices
- City, Town or Village
- Volcanic Vents
- Highway Mileposts

NMOCD Oil and Gas Wells
- Oil
- Gas
- Injection
- Water
- Carbon Dioxide
- DA or PA
- Miscellaneous
- Salt Water Disposal

Federal Minerals
- All Minerals
- Coal Only
- Oil and Gas Only
- Oil, Gas and Coal Only
- Other Minerals

State Trust Lands
- Surface Estate
- Subsurface Estate
- Both Estates

NMSLO Leasing
- Option Agreement
- Commercial Lease
- Minerals Lease
- Oil and Gas Lease
- Agricultural Lease
- Not Available for Oil and Gas Leasing
- Restriction Influences Oil and Gas Leasing

Other Boundaries
- Continental Divide
- State Boundary
- County Boundaries
- Oil and Gas Unit Boundary
- Participating Areas in Units
- Geologic Regions
- Potash Enclave (NMOCD R-111-P)

For detailed legend of the Geologic Map of New Mexico, please see http://geoinfo.nmt.edu/

New Mexico State Land Office
Oil, Gas, and Minerals

0 0.05 0.1 0.2 0.3 0.4 Miles

Universal Transverse Mercator Projection, Zone 13
1983 North American Datum

Land Office Geographic Information Center
logic@slo.state.nm.us

Created On: 12/16/2011 3:14:39 PM

www.nmstatelands.org

VI Tabulation Of Data in 1/2 Mile AOR
ALL Wells that Penetrate Proposed Injection Zone @ 9461' - 10,565'
Shugart State # 2
(K) Sec 16 T18S R31E 1850' FSL, 1650' FWL
API 3001532438 Eddy County NM

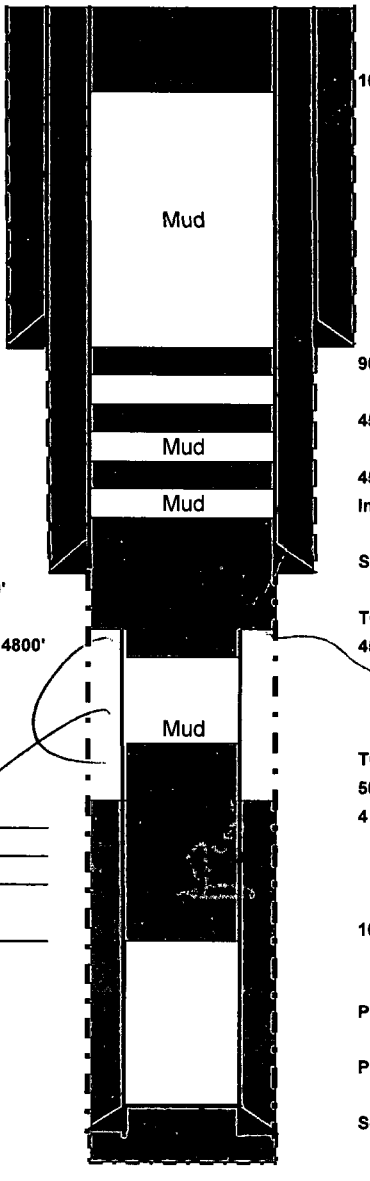
API	Legals	Type	Surface Csg.	Interm. Csg.	Production Csg.	Open Hole	Date Drilled	TD	Record of Completion
3001526374	(H) Sec17-T18S-31E	Gas	13 3/8", 40# set @ 392'	8 5/8" 24# & 32# set @ 3495'	7" 23# set @ (0 - 4024') & 4 1/2" 11.6# set @ (0 - 11,925')	None	8/16/1990	11,925'	10/17/1990, 3160 - 4, Marrow (11,606' - 11,710)
	1980'FNL, 760FEL		420 sx Cir. Surf.	1250 sx Cir. Surf.	(7") 480 sx Cir. Surf. & (4 1/2") 1625 sx. Cir. Surf.				Active
3001531459	(P) Sec17-T18S-R31E	Gas	13 3/8", 48# set @ 615'	8 5/8 ", 32# set @ 3200'	5 1/2", 17# set @ 11,918'	None	1/25/2001	11,872'	4/19/2001, 3160-4, Morrow (11,784' - 11,812')
	990' FSL, 990' FEL		490 sx Cir. Surf.	1350 sx Cir. Surf.	1400 sx, TOC 1760'				Active
3001522756	(N) Sec16-T18S-R31E	Gas	11 3/4", 43# set @ 600'	8 5/8", 24# & 32# set @ 4500'	4 1/2", 13.5# & 11.6 # set @ 11,990'	None	11/12/1979	11,990'	C-103 2/5/1979 Morrow (11,706' - 11741')
			450 sx Cir. Surf.	1400 sx Cir. Surf	995 sx TOC Calc. @ 9800'				P&A
3001532438	(K) Sec16-T18S-R31E	Gas	13 3/8", 48# set @ 674'	8 5/8", 32# set @ 4516'	5 1/2", 17# set @ 11,970'	None	11/4/2002	11,970'	C-105 12/11/02 Morrow (11,695' - 11,705')
	1850' FSL, 1650' FWL		580 sx Cir. Surf.	1410 sx Cir. Surf.	2000 sx Cir. Surf				P&A
3001505565	(o) Sec16-T18S-R31E	Oil	8 5/8" 24# set @ 850'	None	None	Yes	2/6/1960	5114'	C-103 2/17/1960 Delaware (4000'-4090') (4090'-5114)
	660' FSL, 1980' FEL		50 sx,	P&A	P&A	0-480'			No significant show of oil or gas per C-103 2/17/60
			Cut off pulled 480' left			850'-5114'			P&A
			370' P&A well						

Subject well

4500' To 8600'
Open Behind Pipe

VI PLUGING SCHEMATIC DETAIL
OF ONLY WELL PLUGGED WITH IN AOR THAT PENETRATES PROPOSED INJECTION ZONE

PRE-ONGARD
PPRE-ONGARD STATE # 1 (Shugart State Com # 1)
714' FSL, 2062' FWL, Unit (N), Sec 16, T18S, R31E
API # 30-015-22756



Tree Conection P&A

10sx plug @ 50' to Surf.

Surface Casing: 11 3/4" 43#

Surface Hole
Bit Size 15"

Setting Depth @ 600' 450sx Cir. Surf.

90sx plug @ 785' - 533' tag

45sx 1690' est TOC @ 1516'

45sx plug @ 3290' Calc. TOC @ 3124'

Inter. Hole
Bit Size 11" TOC tag @ 4372'

Interm. Casing: 8 5/8" 24# & 32#

Setting Depth: @ 4500' 1400sx Cir. Surf.

75sx plug @ 4600'

TOC tag @ 4730'
45sx plug @ 4850'

Cut 4 1/2" Csg @ 4800'

4800'

Cement Data:

TOC tag @ 7380'
8600'
50sx plug @ 8250'
4 1/2" csg. TOC est. @ 9800'

Lead -

Tail -

Note -

100sx plug @ 10,271' to 8250'

PBTD: @ 11,955'

Production Csg.: @ 4 1/2" 13.5# & 11.6#

Bit size 7 7/8"

Setting Depth @ 11,990' 995sx TOC Cala. @ 9800'

TD @ 11,990'

all Recently Tested Dry or Wet

7 7/8 HOLE 4 1/2 CSG @ 11,990'
865 - H'
50/50 POZ
+ 130 H' Calc Expd.
TOC = 8600'
well File

CURRENT

Basic Energy Services LP
PRE-ONGARD WELL # 2
660 FSL, 1980 FEL Unit O Sec16-18S-31E
API # 3001505565

5 sx plug

Top cut csg. @ 370'

Surface Hole
Bit Size 10"

Inter. Hole
Bit Size None

25sx Pug (850'-900')

Cement Data:

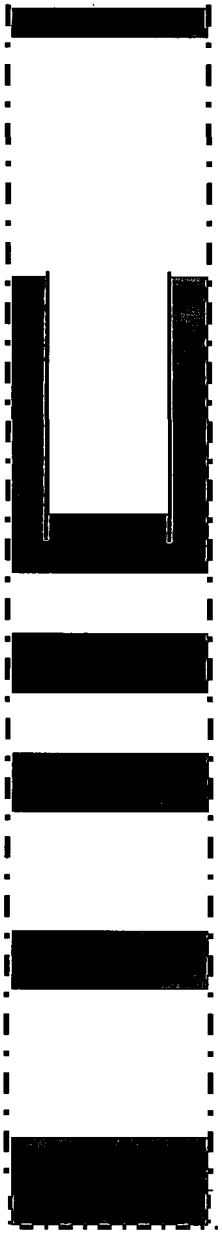
Lead -

Tail -

Note -

25sx Plug (5060'-5114')

Bit size None



TD @ 5114'

Tree Conection P&A

Surface Casing: 8 5/8 24#

Setting Depth @ 850' 50 SX
Cut Csg. 8 5/8"
Pulled 480' / P&A

Interm. Casing: None

Setting Depth: None

25sx Plug (1900'-1930')

25sx Plug (3900'-3950')

25sx Plug (4100'-4130')

PBTD:

Production Csg.: None

Setting Depth @ None

VII

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY NEW MEXICO

BASIC ENERGY SERVICES LP'S PROPOSED OPERATIONS OF THE SUGART STATE # 2 FACILITY:

AVERAGE AND MAXIMUM DAILY RATE

~~CLOSED LOOP~~ SYSTEM

THE ANTISAPATED AVERAGE OF INJECTION PSI & MAXIMUM INJECTION PSI

ANALYSIS OF INJECTION FLUID COMPATIBILITY ON INJECTION FORMATION

VII Proposed Operation Data
Sugart State # 2

Basic Energy Services LP proposes the facility to start with 15 to 20 loads of trucking per day of PW with an increase of up to 40 loads per day by the end of 2012. This is dependant of truck availability and personnel. Most of the area's PW will be to the south of the Sugart State # 2 where high activity of drilling is taking place. Basic Energy Services LP anticipates 3500 bbls to a maximum amount of 5,000 bbls of PW daily with injection psi to be at around 1,000 psi to maximum of 1,200 psi. The facility will be equipped with a four truck unloading contained cement base rack. As fluid is unloaded PW will flow into two 500 bbl sludge tanks allowing solids to fall out. Chemical will be added via chemical pumps and regulated to the anticipated daily total barrels hauled by Baker Petro-lite. Once water has been treated it will over flow and enter 3000 bbls of equalizing storage tanks. Fluid levels will be controlled by C-pumps sending fluids thru a 1000 bbl gun barrel where water and skimmed hydrocarbons will be separated. The gun barrel's water leg sending the PW to two 500 bbl tanks where a 200 T Gardner Denver triplex pump equipped with 3" plungers powered with reduction 150 hp motor will inject down the bore hole and injected in to our selected intervals. Hydrocarbons will be passed thru a 500 bbl brine wash before stored in sales tanks. Basic Energy Services LP's facility at the Shugart State # 2 will be contained in a concrete containment capable of holding 1.3 times the total volume of the facility.

Operated in a closed loop system the facility will be fully automated and operated by an electronically computerized system allowing monitoring of the facility thru smart phone or computer log in. Its integrated alarm system will notify by phone any alarm that might occur from low oil in the crank case of the triplex to high tank levels shutting down access to midway unloading valves thus rendering total shut down of the facility until problem is fixed and restoration of alarms are reset. All Basic Employees are assigned a pass code that records his name and time with the amount of PW unloaded and is recorded as to the lease and operator it has be hauled from. The data can then be generated and filtered giving totals for company or leases allowing total bbls hauled from a facility or a lease. Please find the water and solids analysis from Baker Petro-lite on waters that will be hauled into the facility and also data of compatibility of waters into the proposed injection zone.

VIII

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY NEW MEXICO

GEOLOGICAL DATA ON INJECTION ZONE INCLUDIING
LITHOLOGIC DETAIL GEOLOGICAL NAME
FRESH WATER DATA FORM NM WADES RECORDS

Submit To Appropriate District Office
State Lease - 6 copies
Fee Lease - 5 copies
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
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-105
Revised March 25, 1999

WELL API NO. 30-015-32438
5. Indicate Type of Lease STATE [X] FEE [ ]
State Oil & Gas Lease No. 002936

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well: OIL WELL [ ] GAS WELL [X] DRY [ ] OTHER

b. Type of Completion: NEW WELL [X] WORK OVER [ ] DEEPEN [ ] PLUG BACK [ ] DIFF. RESVR. [ ] OTHER

7. Lease Name or Unit Agreement Name: Shugart State Com

2. Name of Operator: Brothers Production Company Inc.

8. Well No.: 2

3. Address of Operator: P.O. Box 7515, Midland, TX 79708

9. Pool name or Wildcat: North Shugart (Morrow)

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4. Well Location
Unit Letter K : 1850 Feet From The South Line and 1650 Feet From The West Line
Section 16 Township 18-S Range 31-E NMPM Eddy County

10. Date Spudded	11. Date T.D. Reached	12. Date Compl. (Ready to Prod.)	13. Elevations (DF& RKB, RT, GR, etc.)	14. Elev. Casinghead
9/26/02	11/4/02	12/9/02	GR - 3659', RKB - 3682'	

15. Total Depth	16. Plug Back T.D.	17. If Multiple Compl. How Many Zones?	18. Intervals Drilled By	Rotary Tools	Cable Tools
11,970'	11,913'				

19. Producing Interval(s), of this completion - Top, Bottom, Name: 11,695' - 11,705', Morrow

20. Was Directional Survey Made: Yes

21. Type Electric and Other Logs Run: Open hole - GR, SD, DSN, DLL. Cased hole - CBL.

22. Was Well Cored: No

23. **CASING RECORD** (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13-3/8"	48#/ft.	674'	17 1/2"	580 sx circ.	
8-5/8"	32#/ft.	4516'	11"	1410 sx circ.	
5-1/2"	17#/ft.	11,970'	7 7/8"	2000 sx circ.	

24. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN

25. TUBING RECORD

SIZE	DEPTH SET	PACKER SET
2-7/8"	11,620'	PLS pkr@ 11,620

26. Perforation record (interval, size, and number)
11,695' - 11,705', 0.4", 41 holes.

27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED

28 **PRODUCTION**

Date First Production	Production Method (Flowing, gas lift, pumping - Size and type pump)	Well Status (Prod. or Shut-in)
12/9/02	Flowing	Producing

Date of Test	Hours Tested	Choke Size	Prod'n For Test Period	Oil - Bbl	Gas - MCF	Water - Bbl.	Gas - Oil Ratio
12/10/02	24	9/64"		8	1024	0	128,000 SCF/BBL

Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API - (Corr.)
2250#	0#		8	1024	0	

29. Disposition of Gas (Sold, used for fuel, vented, etc.): Sold

Test Witnessed By

30. List Attachments: Deviation report, open hole log

31. I hereby certify that the information shown on both sides of this form as true and complete to the best of my knowledge and belief

Signature Travis McGraw Printed Name Travis McGraw Title Manager Date 12/11/02

30-015-32438

Geol. Tops per IBC

Rustler	527
Salado	~ 767
Yates	2117
7 Rivers	
Bowers	2960
Queen	3216

3rd BS Sand	9034
Wolfcamp	9461
Strawn	10565
Atoka	10850
Morrow	11256

10-12-02
SD/DSN/GR
200 - 11920
1-24-03
DLL/MG
4500 - 11970

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well and not later than 60 days after completion of closure. When submitted as a completion report, this shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 11, 12 and 26-31 shall be reported for each zone.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico		Northwestern New Mexico	
T. Anhy	T. Canyon	T. Ojo Alamo	T. Penn A"
T. Salt 767'	T. Strawn 10,565'	T. Kirtland	T. Penn. "B"
B. Salt	T. Atoka 10,850'	T. Fruitland	T. Penn. "C"
T. Yates 2,117'	T. Miss	T. Pictured Cliffs	T. Penn. "D"
T. 7 Rivers 2,420'	T. Devonian	T. Cliff House	T. Leadville
T. Queen 3,216'	T. Silurian	T. Menefee	T. Madison
T. Grayburg 3675'	T. Montoya	T. Point Lookout	T. Elbert
T. San Andres 4,200'	T. Simpson	T. Mancos	T. McCracken
T. Glorieta	T. McKee	T. Gallup	T. Ignacio Otzte
T. Paddock	T. Ellenburger	Base Greenhorn	T.Granite
T. Blinebry	T. Gr. Wash	T. Dakota	
T.Tubb	T. Delaware Sand 4,510'	T. Morrison	
T. Drinkard	T. Bone Springs 5,840'	T.Todilto	
T. Abo	T. Morrow 11,256'	T. Entrada	
T. Wolfcamp 9,461'	T.	T. Wingate	
T. Penn 10,200'	T.	T. Chinle	
T. Cisco (Bough C)	T.	T. Permian	

OIL OR GAS SANDS OR ZONES

No. 1, from.....to..... No. 3, from.....to.....
No. 2, from.....to..... No. 4, from.....to.....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.
No. 1, from.....to.....feet.....
No. 2, from.....to.....feet.....
No. 3, from.....to.....feet.....

LITHOLOGY RECORD (Attach additional sheet if necessary)

From	To	Thickness In Feet	Lithology	From	To	Thickness In Feet	Lithology

Water Samples for Sect 16 Township 18 South Range 31 East Formation ARTESIA years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation CAP years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation OGALLALA years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation SANTA ROSA years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation RSLR years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation DEWEY LAKE years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation TNSL years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation GOAT SEEP years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation BELL CYN years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

Water Samples for Sect 16 Township 18 South Range 31 East Formation PERM years between 1990 and 2000(Chlorides>5000) and (Chlorides<10000)

Instructions:
The number represents the number of water samples of certain well. Click the number if you want to download the data.

No Record Is Found!

# of samples	S	T	R	Formation	Date	Chlorides (mg/L)	Location (qtr/qtr)

IX

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY NEW MEXICO

BASIC ENERGY SERVICES LP PROPOSED STIMULATION PROGRAM FOR THE SUGART STATE # 2 LOWER DELAWARE

IX Proposed Stimulation Program

Basic Energy Services LP
Shugart State # 2
API 3001532438 Eddy Co.

Basic Energy Services LP Proposes to clean out well bore to 5850', Circulate hole twice its capacity till clean return is seen. Run a CIL, CBL, Correlation DIN, GR Neutron Log. Set CIBP @ 5840' with 35 feet of Cement a top of well plug by bail dump on wire line. Wait on Cement. Perforate intervals as reported on C-108 run packer and retrievable plug. Shugart State # 2 will be treated in three stages possible two shots per foot.

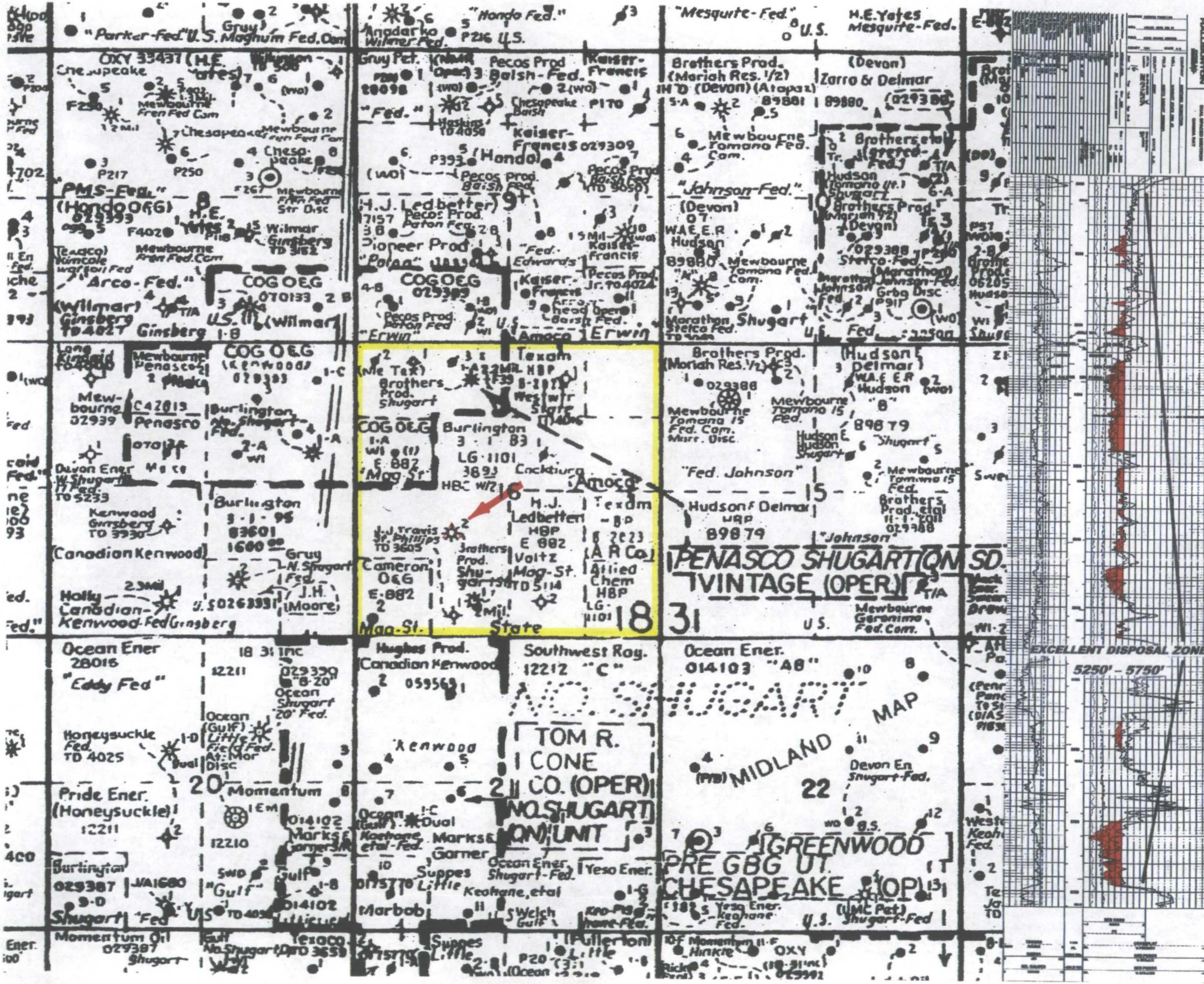
32 gal NEFE 15 % per perf hole possible use of CLO2 behind acid and flush with three to five pounds of rock salt for block with the possibilities of bio balls used thru a ball gun. (1st Stage Set RBP @ 5750' Pkr @ 5590), (2sd Stage Set RBP @ 5590' Pkr. @ 5330'), (3rd Stage Set RBP @ 5330' Pkr. @ 5130')

INTERVALS Stage 1	***NET PAY***	***SPF***	***PERF HOLES***	***NEFE 15% gal / shot.***	***Net gal NEFE / Interval***	***Net 1bls/ Salt block @ 4 lbs per hole***
5600-5610	10'	2	20	32	640	80
5640-5660	20'	2	40	32	1280	160
5700-5740	40'	2	80	32	2560	320
Totals Stage 1	**70'**		**140**		**4480**	**560**
INTERVALS Stage 2	***NET PAY***	***SPF***	***PERF HOLES***	***NEFE 15% gal / shot.***	***Net gal NEFE / Interval***	***Net 1bls/ Salt block @ 4 lbs per hole***
5340-5550	210	2	420	32	13,440	1680
5560-5570	10	2	20	32	640	80
Totals Stage 2	**220**		**440**		**14,080**	**1760**
INTERVALS Stage 3	***NET PAY***	***SPF***	***PERF HOLES***	***NEFE 15% gal / shot.***	***Net gal NEFE / Interval***	***Net 1bls/ Salt block @ 4 lbs per hole***
5150-5180	30	2	60	32	1920	240
5260-5320	60	2	120	32	3840	480
Totals Stage 3	**90**		**180**		**5,760**	**720**

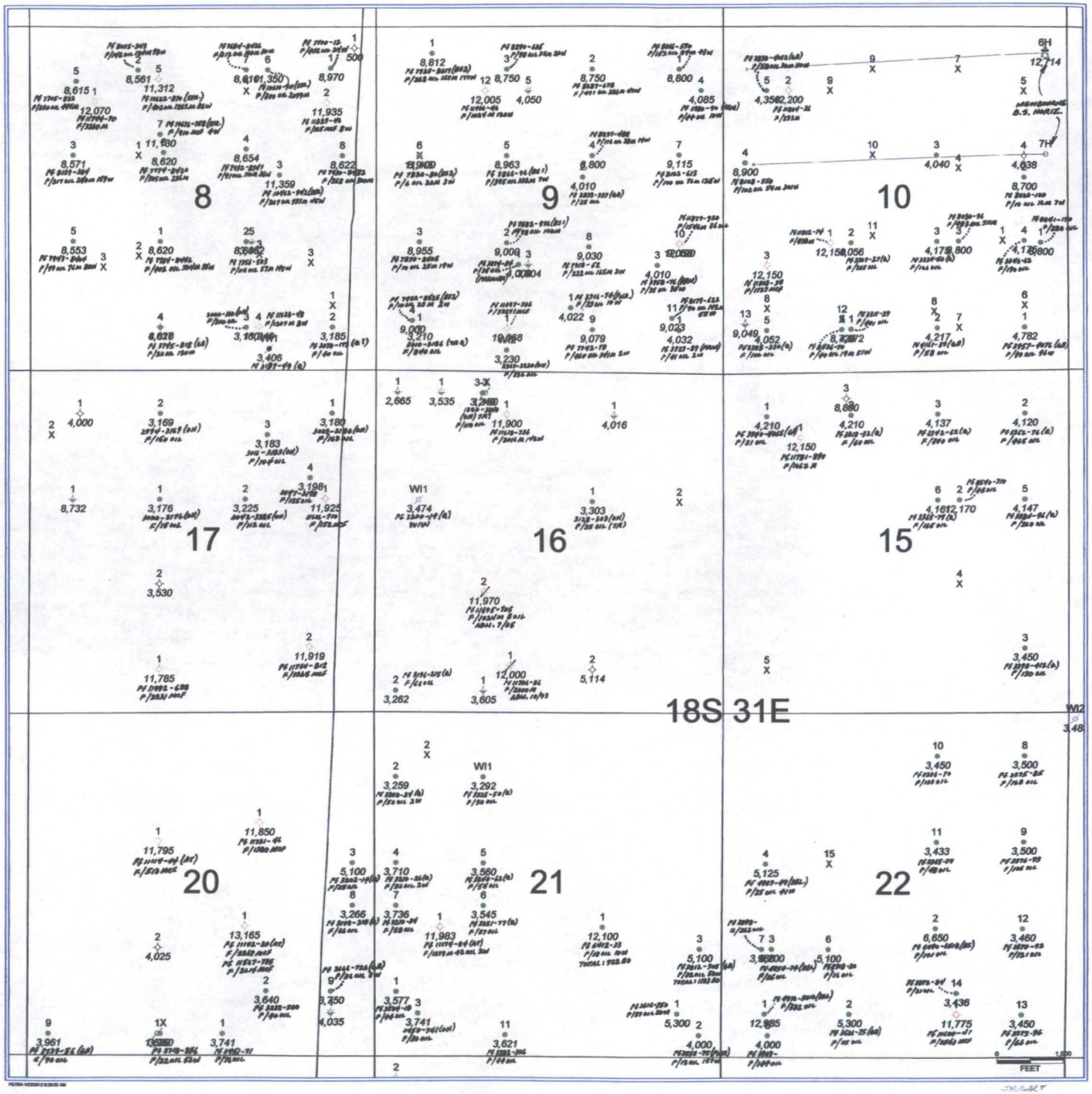
X

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY NEW MEXICO

DUAL LATTERAL LOGS WITH SPECRAL DENSITY LOGS OF LOWER DELAWARE SANDS
LOGS ARE FILED WITH THE DIVISION AND ARE AVAILABLE ON REQUEST IF NEEDED



NO. SHUGART
MIDLAND MAP
TOM R. CONE CO. (OPER)
NO. SHUGART (QN) UNIT
PENASCO SHUGART (QN SD.
VINTAGE (OPER)
GREENWOOD
PRE GBG UT.
CHESAPEAKE (OP)
18 31
22
20
15
16
Amoco
Mag-St.
State
"Fed. Johnson"
"Mesquite-Fed."
"Johnson-Fed."
"PMS-Fed."
"Arco-Fed."
"Eddy Fed"
COG O&G
EXCELLENT DISPOSAL ZONE
5250' - 5750'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18S 31E
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22
FEET

HALLIBURTON

EXCELL

SPECTRAL DENSITY
DUAL SPACED NEUTRON
GAMMA RAY

COMPANY BROTHERS PRODUCTION
WELL SHUGART STATE COM #2
FIELD NORTH SHUGART (MORROW)
COUNTY EDDY STATE N.M.

API No 30-015-32438
Location 1850' FSL & 1650' FWL SEC 16, T-18S, R-31E

Other Services DLL/MGRD SFT

Sect 16 Twp 18-S Rge 31-E

Permanent Datum GROUND LEVEL Elev 3659'
Log measured from K.B. 24' ft. above perm. datum
Drilling measured from K.B.

Elev.: K.B. 3683' D.F 3682' G.L. 3659'

Date	11/05/02			
Run No.	ONE			
Depth – Driller	11971'			
Depth – Logger	11971'			
Bottom – Logged Interval	11920'			
Top – Logged Interval	200'			
Casing – Driller	8.625 @ 4516'	@	@	@
Casing – Logger	4510'			
Bit Size	7.875			
Type Fluid in Hole	BRINE			
Dens. | Visc.	10 | 49	|	|	|
Ph | Fluid Loss	10 | 7	|	|	|
Source of Sample	FLOWLINE			
Rm @ Meas. Temp.	0.250 @ 74 F	@	@	@
Rmf @ Meas. Temp.	0.19 @ 74 F	@	@	@
Rmc @ Meas. Temp.	N/A @ N/A	@	@	@
Source Rmf | Rmc	MEAS. | N/A	|	|	|
Rm @ BHT	0.145 @ 137 F	@	@	@
Time Since Circ.	11/5 11:00			
Time on Bottom	11/5 11:30			
Max. Rec. Temp.	137 F @ TD	@	@	@
Equip. | Location	582 | HOBBS	|	|	|
Recorded By	G. SETHU	J-F CIANCI		
Witnessed By	R. NEWTON			

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Fold Here

Service Ticket No. 2118689 API Serial No. 30-015-32438 PGM Version: XL v6.0

CHANGE IN MUD TYPE OR ADDITIONAL SAMPLES

Date | Sample No.	|	|
Depth – Driller		
Type Fluid in Hole		
Dens. | Visc.	|	|
Ph | Fluid Loss	|	|
Source of Sample		
Rm @ Meas. Temp.	@	@
Rmf @ Meas. Temp.	@	@
Rmc @ Meas. Temp.	@	@
Source Rmf | Rmc	|	|
Rm @ BHT	@	@
Rmf @ BHT	@	@
Rmc @ BHT	@	@

RESISTIVITY SCALE CHANGES

Type Log	Depth	Scale Up Hole	Scale Down Hole

RESISTIVITY EQUIPMENT DATA

Run No.	Tool Type & No.	Pad Type	Tool Pos.	Other

EQUIPMENT DATA

GAMMA		ACOUSTIC		DENSITY		NEUTRON	
Run No.	ONE	Run No		Run No.	ONE	Run No.	ONE
Serial No.	108590YL	Serial No.		Serial No	AD44	Serial No	AO41
Model No	NGRT	Model No.		Model No	SDL-DA	Model No	DSN II
Diameter	3.625"	No. of Cent		Diameter	4.5"	Diameter	3.625"
Detector Model No	T 102 A	Spacing		Log Type	GAM/GAM	Log Type	NEU/NEU
Type	SCINT			Source Type	Cs137	Source Type	Am241Be
Length	4"	LSA [Y / N]		Serial No.	2549GW	Serial No.	DSN-90
Distance to Source	N/A	FWDA [Y / N]		Strength	1.5 Ci	Strength	18.5 Ci

LOGGING DATA

GENERAL				GAMMA		ACOUSTIC			DENSITY			NEUTRON		
Run	Depth		Speed	Scale		Scale			Scale			Scale		
No.	From	To	Ft / Min	L	R	L	R	Matrix	L	R	Matrix	L	R	Matrix
ONE	11971	200'	REC.	0	100				30%	-10%	2.71	30%	-10%	LIME

DIRECTIONAL INFORMATION

Maximum Deviation deg. @ KOP

WELL IS VERTICAL

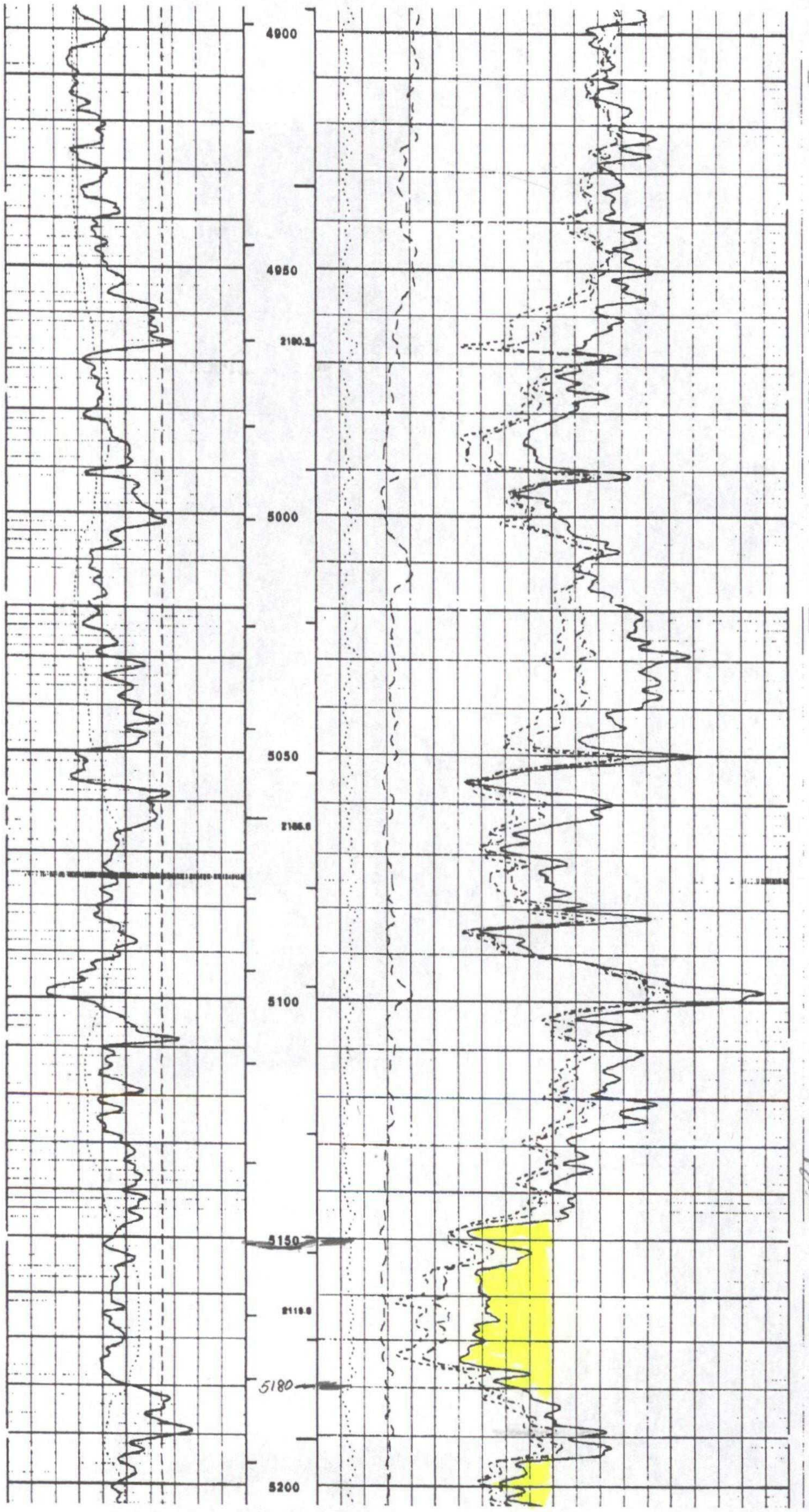
Remarks:

TOOL CONFIGURATION: MGRD/DLLT/SDL/DSN/GR/D4TS/BRID
ANNULAR HOLE VOLUME CALCULATED FOR 5.5" PRODUCTION CASING.
AFTER SURVEY CALIBRATIONS NOT PERFORMED AS PER CUSTOMER REQUEST (MGRD/DSN/SDL/CSNG/GR)
ON SITE SATELITE LOCATION: 32'44.71 N & 103'52.69 W

YOUR CREW: CHARLIE GETTA, ALONSO JURADO
THANK YOU FOR USING HALLIBURTON ENERGY SERVICES. 1-800-844-8451 (HOBBS, NEW MEXICO)

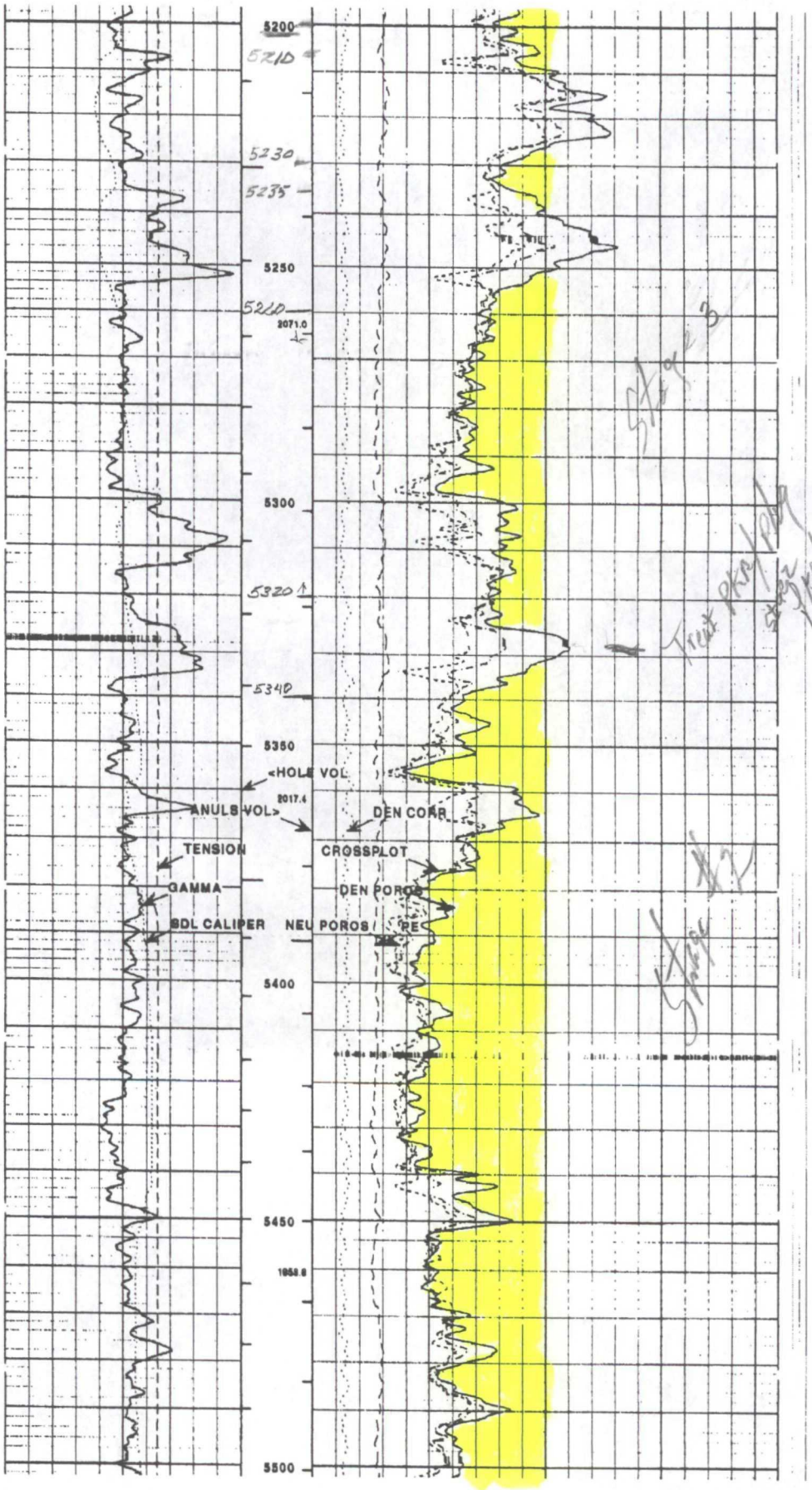
HALLIBURTON

Shugart St #2
Eddy Co. Lower Delaware



PLR @ 5130
Stage 3

Shugart St #2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NEU POROS / RE
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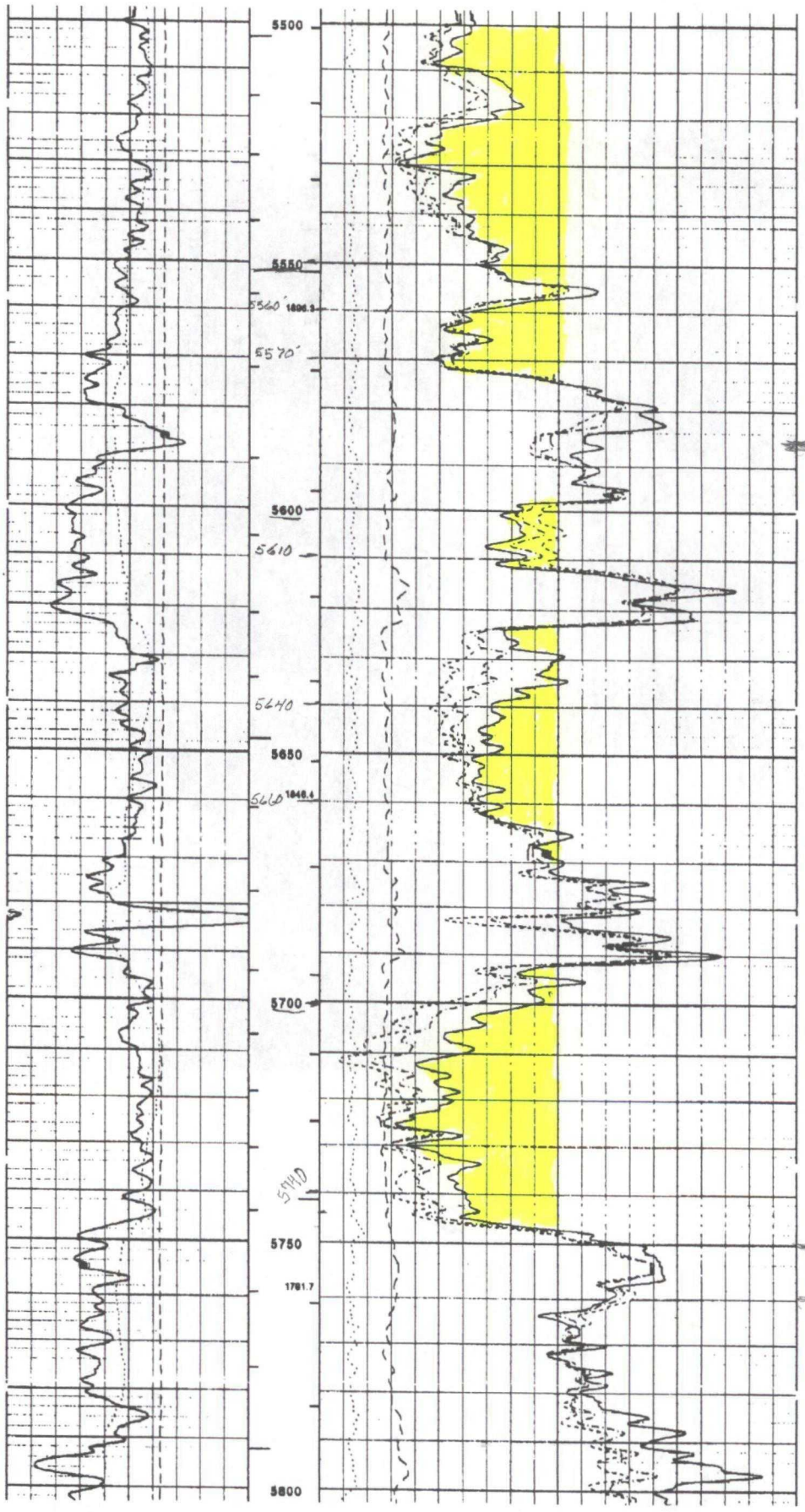
Shugart St #2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HALLIBURTON

EXCELL

DUAL LATEROLOG MICRO GUARD

COMPANY	BROTHERS PRODUCTION
WELL	SHUGART STATE COM #2
FIELD	NORTH SHUGART (MORROW)
COUNTY	EDDY
STATE	N.M.

API No. 30-015-32438 W
Location 1850' FSL & 1650' FWL
SEC 16, T-18S, R-31E

Sect 16 Twp 18-S Rge 31-E

Other Services: SDL/D SN/GR, SFT

Permanent Datum: GROUND LEVEL Elev 3659'
Log measured from: K.B. 24' ft above perm. datum
Drilling measured from: K.B.

Elev.: K.B 3683' D.F 3682' G.L 3659'

Date	11/05/02			
Run No.	ONE			
Depth – Driller	11971'			
Depth – Logger	11971'			
Bottom – Logged Interval	11970'			
Top – Logged Interval	4500'			
Casing – Driller	8.625 @ 4516'	@	@	@
Casing – Logger	4510'			
Bit Size	7.875			
Type Fluid in Hole	BRINE			
Dens. | Visc.	10 | 49	|	|	|
Ph | Fluid Loss	10 | 7	|	|	|
Source of Sample	FLOWLINE			
Rm @ Meas. Temp.	0.258 @ 74 F	@	@	@
Rmf @ Meas. Temp.	0.19 @ 74 F	@	@	@
Rmc @ Meas. Temp.	N/A @ N/A	@	@	@
Source Rmf | Rmc	MEAS. | N/A	|	|	|
Rm @ BHT	0.145 @ 137 F	@	@	@
Time Since Circ.	11/4 11:00			
Time on Bottom	11/5 11:30			
Max. Rec. Temp.	137 F @ TD	@	@	@
Equip. | Location	582 | HOBBS	|	|	|
Recorded By	G. SETHU	J-F CIANCI		
Witnessed By	R. NEWTON			

RECEIVED OCD - ARTESIA

Fold Here

Service Ticket No: 2118689 API Serial No: 30-015-32438 PGM Version: XL v5.0

CHANGE IN MUD TYPE OR ADDITIONAL SAMPLES		
Date | Sample No.	|	|
Depth – Driller		
Type Fluid In Hole		
Dens. | Visc.	|	|
Ph | Fluid Loss	|	|
Source of Sample		
Rm @ Meas. Temp.	@	@
Rmf @ Meas. Temp.	@	@
Rmc @ Meas. Temp.	@	@
Source Rmf | Rmc	|	|
Rm @ BHT	@	@
Rmf @ BHT	@	@
Rmc @ BHT	@	@

RESISTIVITY SCALE CHANGES

Type Log	Depth	Scale Up Hole	Scale Down Hole

RESISTIVITY EQUIPMENT DATA

Run No	Tool Type & No.	Pad Type	Tool Pos.	Other
ONE	DLLT 113829YL	N/A	CENT.	N/A
ONE	MCGRD 103825YL	HARD	ADJ.	N/A

EQUIPMENT DATA

GAMMA		ACOUSTIC		DENSITY		NEUTRON	
Run No.	ONE	Run No.		Run No.		Run No.	
Serial No.	108590YL	Serial No.		Serial No		Serial No	
Model No.	NGRT	Model No.		Model No.		Model No.	
Diameter	3.625"	No. of Cent		Diameter		Diameter	
Detector Model No.	T 102 A	Spacing		Log Type		Log Type	
Type	SCINT.			Source Type		Source Type	
Length	4"	LBA [Y/N]		Serial No.		Serial No.	
Distance to Source	N/A	FWDA [Y/N]		Strength		Strength	

LOGGING DATA

GENERAL				GAMMA		ACOUSTIC			DENSITY			NEUTRON		
Run	Depth		Speed	Scale		Scale			Scale			Scale		
No.	From	To	Ft/Min	L	R	L	R	Matrix	L	R	Matrix	L	R	Matrix
ONE	11971	4510'	REC.	0	100									

DIRECTIONAL INFORMATION

Maximum Deviation deg @ KOP

WELL IS VERTICAL

Remarks:

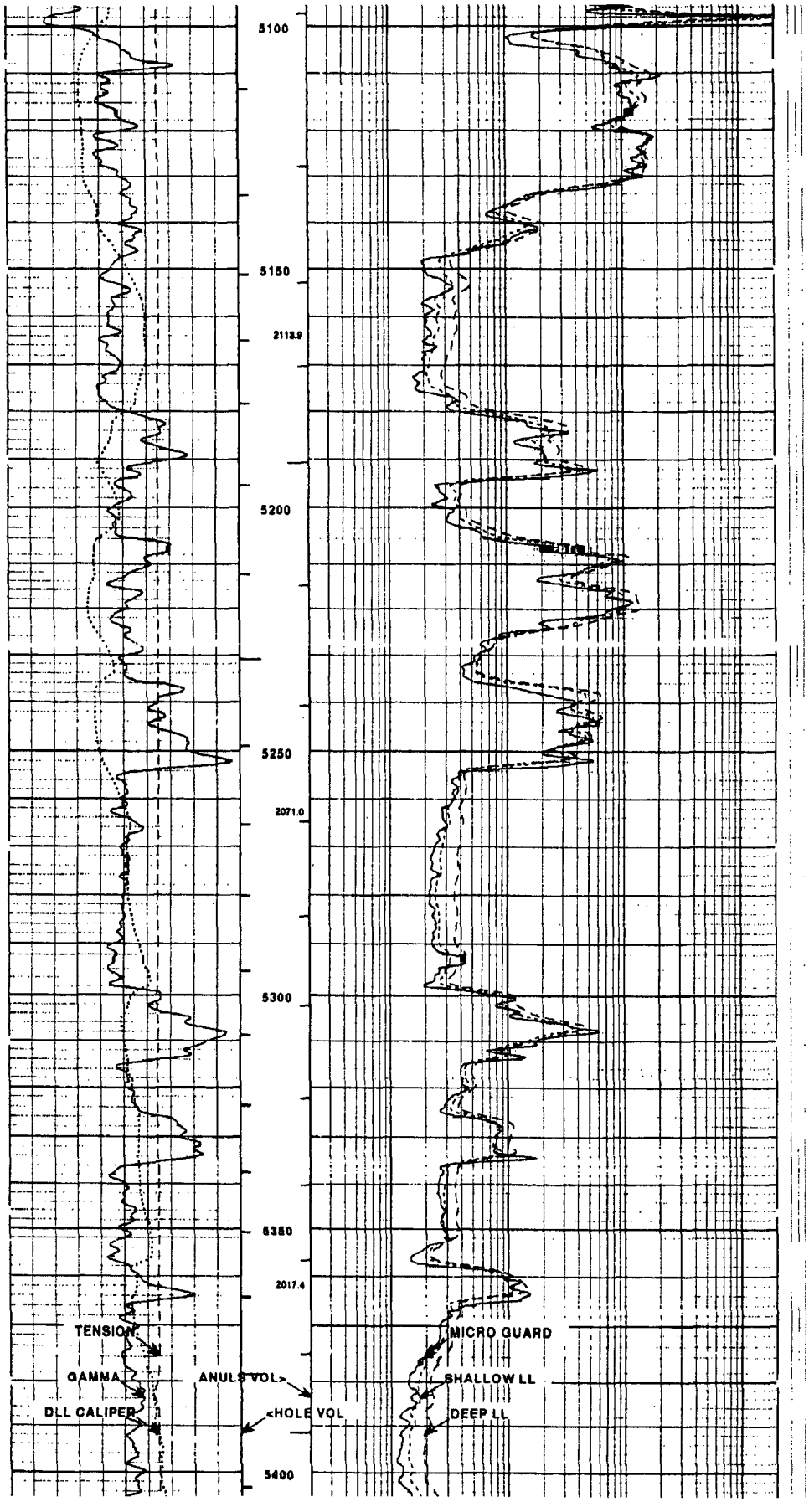
TOOL CONFIGURATION: MGRD/DLLT/SDL/DSN/GR/D4TS/BRID

ANNULAR HOLE VOLUME CALCULATED FOR 5.5" PRODUCTION CASING.

ON SITE SATELLITE LOCATION: 32'44.91 N & 103'52.88 W

YOUR CREW: CHARLIE GETTA, ALONSO JURADO

THANK YOU FOR USING HALLIBURTON ENERGY SERVICES. 1-800-844-8451 (HOBBS, NEW MEXICO)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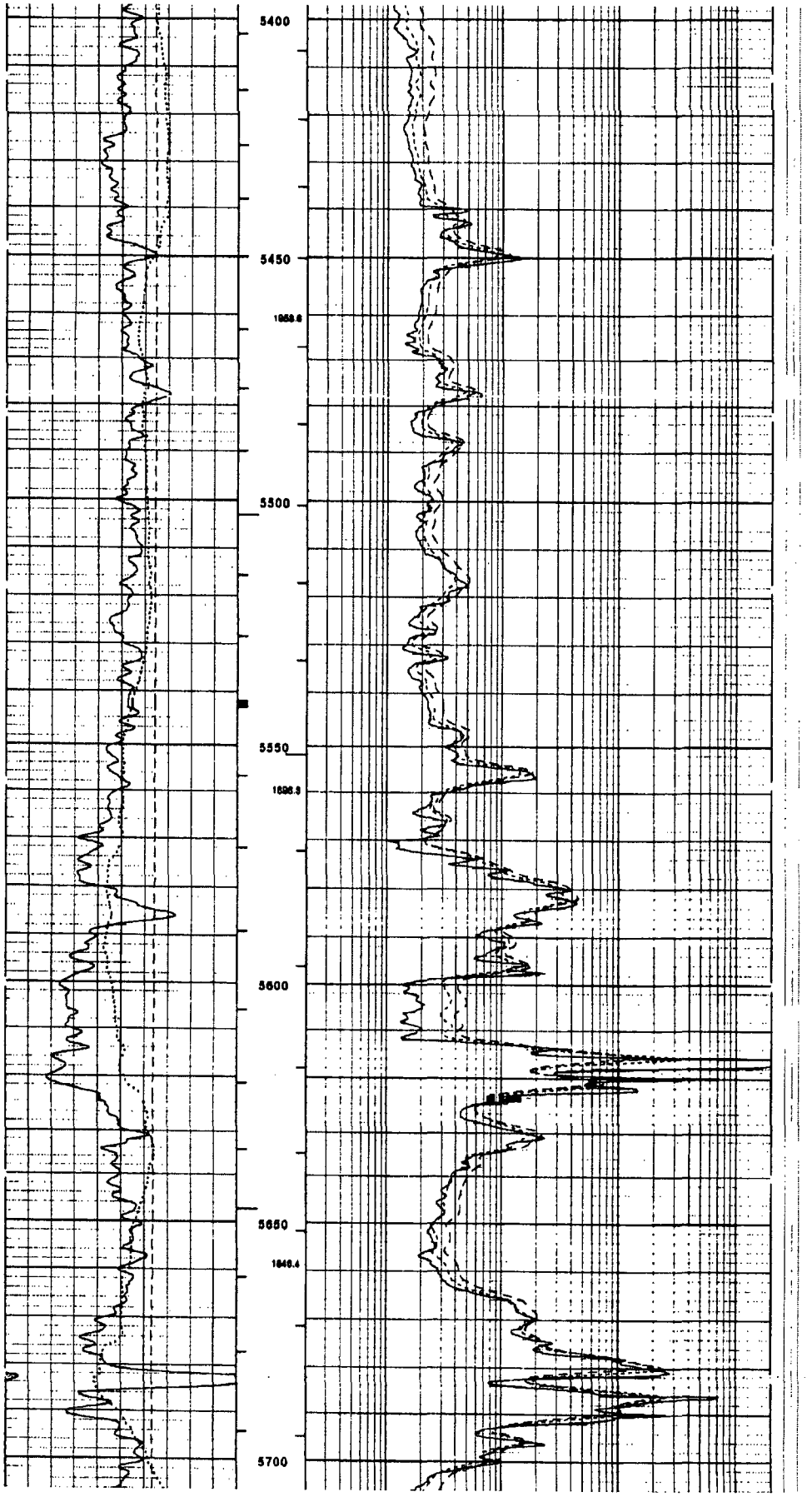
MICRO GUARD
SHALLOW LL
DEEP LL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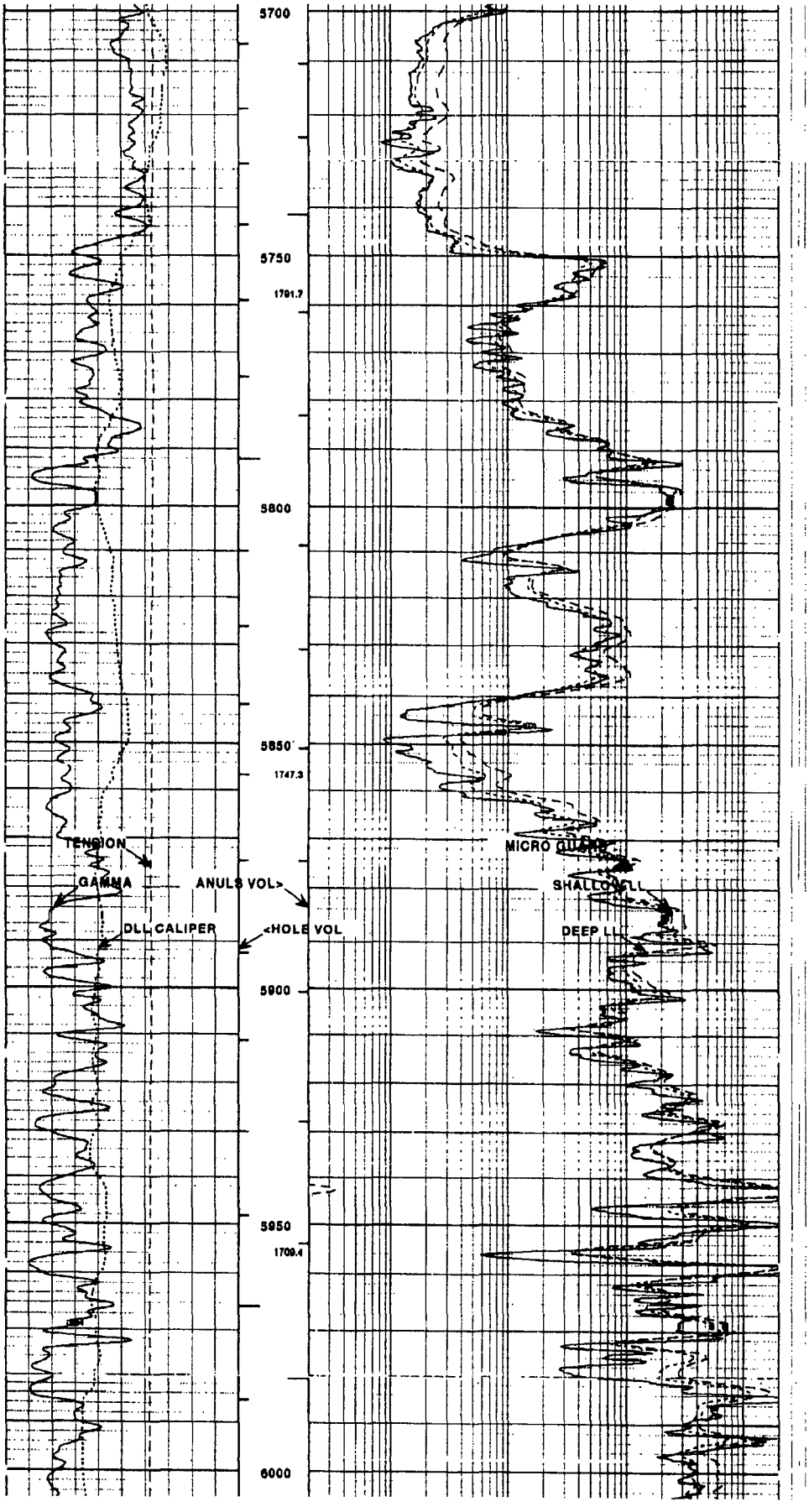
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GAMMA
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DLL CALIPER
<HOLE VOL
MICRO
SHALLOW LL
DEEP LL

XI

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY NEW MEXICO

NO FRESH WATER WAS FOUND WITH IN ONE MILE FROM PROPOSED INJECTION WELL AT THE SHUGART STATE # 2 FOR WATER ANALYSIS

Analytical Laboratory Report for:

Account Representative:
Spears, Jeremy

Production Water Analysis

Listed below please find water analysis report from: **Benson Shugart Wfld, 22**

Lab Test Number	Sample Date
2012102110	08/16/2011

Specific Gravity:	1.094
TDS:	143172
pH:	6.92

Cations	mg/L
Calcium as Ca^{++}	4445
Magnesium as Mg^{++}	2328
Sodium as Na^{+}	46348
Iron as Fe^{++}	3.00
Potassium as K^{+}	651.0
Barium as Ba^{++}	1.40
Strontium as Sr^{++}	78.00
Manganese as Mn^{++}	0.16

Anions	mg/L
Bicarbonate as HCO_3^{-}	317
Sulfate as $SO_4^{=}$	2400
Chloride as Cl^{-}	86600

Gases	mg/L
Carbon Dioxide as CO_2	60
Hydrogen Sulfide as H_2S	68.0

Analytical Laboratory Report for:

Account Representative:
Spears, Jeremy

DownHole SAT™ Scale Prediction @ 100 deg. F

Lab Test Number	Sample Date	Location
2012102110	08/16/2011	22

Mineral Scale	Saturation Index	Momentary Excess (lbs/1000 bbls)
Calcite (CaCO3)	3.19	0.15
Strontianite (SrCO3)	0.05	-5.77
Anhydrite (CaSO4)	0.71	-373.67
Gypsum (CaSO4*2H2O)	0.86	-172.67
Barite (BaSO4)	3.52	1.70
Celestite (SrSO4)	0.19	-474.54
Siderite (FeCO3)	2.07	0.13
Halite (NaCl)	0.06	-391019.16
Iron sulfide (FeS)	35.92	0.70

Interpretation of DHSat Results:
The Saturation Index is calculated for each mineral species independently and is a measure of the degree of supersaturation (driving force for precipitation) under the conditions modeled. This value ranges from 0 to infinity with 1.0 representing a condition of equilibrium where scale will neither dissolve nor precipitate. Values less than 1.0 are undersaturated and values greater than 1.0 are supersaturated. The Momentary excess is a measure of how much scale would have to precipitate to bring the system back to a non-scaling condition. This value ranges from negative (dissolving) to positive (precipitating) values. The Momentary Excess represents the amount of scale possible while the Saturation Level represents the probability that scale will form.

XII

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY NEW MEXICO

AFFERMATIVE STATEMENT OF ALL EXAMINED AVAILABLE GEOLOGIC AND ENGINEERING DATA FINDING NO EVIDENCE OF OPEN FAULTS OR ANY OTHER HYDROLOGIC CONNECTION BETWEEN AND DISPOSAL ZONE AND ANY UNDERGROUND SOURCES OF DRINKING WATER FROM FEDRO &ASSOCIATES L.P.

FEDRO & ASSOCIATES L. P. ***GEOLOGIC CONSULTING***

P. O. BOX 10872 ***MIDLAND, TEXAS 79702***

(432) 557-2196 ***fedrobob2@yahoo.com***

February 4, 2012

To: **D. Linebarger**
From: **B. Fedro**
Subject: **Shugart SWD (Shugart St. #2 API # 30-015-32438)**
Sec. 16, T18S – R31E
Eddy County, New Mexico

Recommendation

Based on an evaluation of the captioned area, it is recommended that Basic Energy move forward with plans for a commercial SWD utilizing the captioned well bore. Local geology indicates several excellent, non-productive Lower Delaware disposal zones are present between 5250' and 5750'.

Summary

Beginning January 25 of this year an evaluation of the captioned area was performed with the aim of determining what zones produce there, and to determine if there are porous non-productive intervals present for saltwater disposal. Based on this evaluation it has been determined that there are in fact several excellent zones of highly porous (>18%) Lower Delaware sand from 5250' to 5750' which have not produced in the area and would take water.

Discussion

Production in this area is primarily from the Yates-7R-Queen-Grayburg, the Upper Delaware, Bone Spring, Atoka, and Morrow. The main producing interval is the Second Bone Spring found at 7900' to 8400' in the area. After plotting all nearby producing perforations, it was found that the proposed Lower Delaware disposal interval has never produced or been tested, with excellent porosity. In addition, there is no evidence of any open faults or any other hydrologic connection between the proposed disposal zone and any underground source of drinking water. It would be advisable to run a quick updated cement bond log to check for cement integrity between the surface and the proposed disposal zone.

Thank you for the opportunity to provide this evaluation, and don't hesitate to call if you have any questions.

XIII & XIV

SHUGART STATE # 2
API # 3001532438
1850' FSL, 1650 FWL
SEC.16, T18S, 31E, UNIT K,
EDDY COUNTY NEW MEXICO

PROOF OF NOTICE COPY CERTIFIED OR REGISTERED MAIL OF THE SURFACE OF THE LAND ON WHICH THE WELL IS TO BE LOCATED AND TO EACH LEASEHOLD OPERATOR WITHIN ONE-HALF MILE OF THE WELL. LOCATION NAME, ADDRESS, PHONE NUMBER AND CONTACT PARTY FOR BASIC ENERGYSERVICES LP. THE INTENDED PURPOSE OF THE INJECTION WELL.

THE EXACT LOCATION OF THE WELL OF THE SHUGART STATE # 2 WITH THE DEPTH, EXPECTED INJECTION RATES AND PRESSURES.

NOTIFICATION TO INTRESTED PARTIES TO FILE OBJECTIONS OR REQUEST FOR HEARING WITH THE OIL CONSERVATION DIVISION, 1220 SOUTH ST. FRANCES DR., SANTA FE NEW MEXICO 87505 WITHIN 15 DAYS.

BASIC ENERGY SERVICES

Legal Notice

Basic Energy Services
NM Fluid Sales

Per New Mexico Oil Conservation Division Rules and Regulations, please find the enclosed a copy of NMOCD form C-108.

BASiC Energy Services P.O. Box 10460, Midland Texas 79702 has filed form C-108 (Application for Authorization to Inject) with the New Mexico Oil Conservation Division.
BASiC Energy Services is seeking administrative approval of the conversion of the Shugart State # 002 API # 30-015-32438, 1850 FSL & 1650 FWL, Unit "K" , Section 16, Township 18 South, Range 31 East, Eddy county New Mexico from a abandon plugged gas well to a Lower Delaware commercial salt water disposal well.
The disposal interval would be from 5150'– 5740' feet.
Disposal fluid would be produced water trucked in from numerous producing formations in South Eastern New Mexico only by BASiC Energy Services trucking department.
BASiC Energy Services anticipates a disposal rate of 3500 BWPD with a maximum disposal rate of 5000 BWPD.
The anticipated disposal surface pressure of the Sugart State # 2 approximated at 1000 psi with a maximum disposal pressure of 1200 psi if granted. Well is located 4.5 mile to the south of HWY 82 on County Rd. 222 and half mile east.

All interested parties opposing the aforementioned must file objections with the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico 87505with in 15 days. Additional information can be obtained by contacting Lyn Sockwell at 432.620.5500

Sincerely,

Lyn Sockwell
Director of Environmental
P.O. Box 10460
Midland Texas 79702
Phone: 432.620.5500
Lyn.Sockwell@basicenergyservices.com

February 13, 2012

LEASEHOLD OPERATORS WITHIN 1/2 MILE AREA SURROUNDING SHUGART STATE COM. #002 WELL

Eddy County, New Mexico

Township 18 South, Range 31 East:

Section 16: E/2;

Legacy Reserves Operating, L.P.
P. O. Box 10848
Midland, TX 79702

Section 16: SW/4 SW/4;

Cameron Oil & Gas, Inc.
P. O. Box 1456
Roswell, NM 88202

Section 16: N/2 NW/4;

Nortex Corporation
1415 Louisiana
Suite 3100
Houston, TX 77002

Section 16: SW/4 NW/4;

Mobil Producing Texas & New Mexico, Inc.
P. O. Box 2305
Houston, TX 77102

Section 16: E/2 SW/4; NW/4 SW/4; SE/4 NW/4;

Magnum Hunter Production, Inc.
% Cimerax Oil & Gas
600 N. Marienfeld
Suite 600
Midland, TX 79701

Section 17: E/2;

Cimerax Energy of Colorado
600 N. Marionfeld
Suite 600
Midland, TX 79701

Section 20: E/2;

Devon Energy Production Company, L.P.
20 N. Broadway
Oklahoma City, OK 73102

Tom R. Cone
1304 W. Broadway
Hobbs, NM 88240

Section 21: W/2;

Devon Energy Production Company, L.P.
20 N. Broadway
Oklahoma City, OK 73102

Tom R. Cone
1304 W. Broadway
Hobbs, NM 88240

Section 21: E/2;

Altura Energy LTD
809 Howard Drive
Midland, TX 79703

February 13, 2012

SURFACE OWNERS WITHIN1/2 MILE AREA SURROUNDING SHUGART STATE COM #002 WELL

Eddy County, New Mexico

Township 18 South, Range 31 East;

Section 16: ALL

State of New Mexico
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, NM 87501

Section 17: ALL

Department of the Interior
Bureau of Land Management
302 Dinosaur Trail
Santa Fe, NM 87508

Section 20: ALL

Department of the Interior
Bureau of Land Management
302 Dinosaur Trail
Santa Fe, NM 87508

Section 21: ALL

Department of the Interior
Bureau of Land Management
302 Dinosaur Trail
Santa Fe, NM 87508

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Suite 600
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600 N. Marienfeld
Suite 600
Midland, TX 79701
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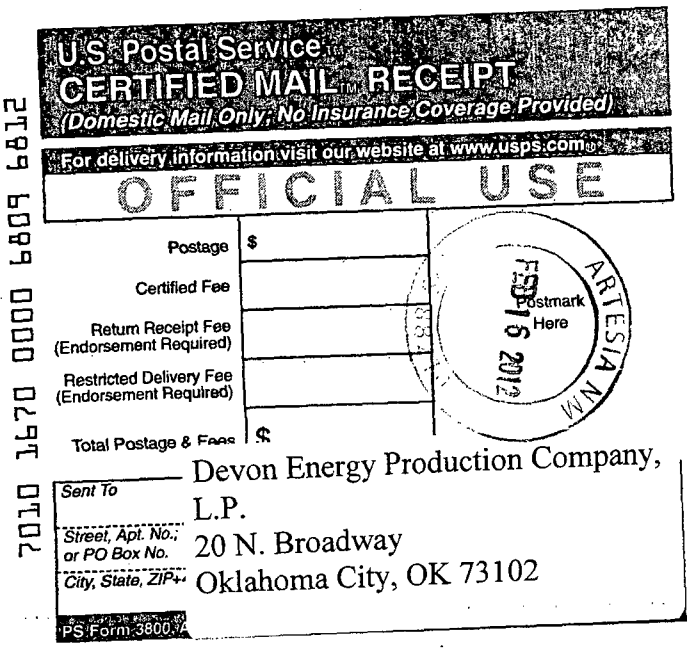
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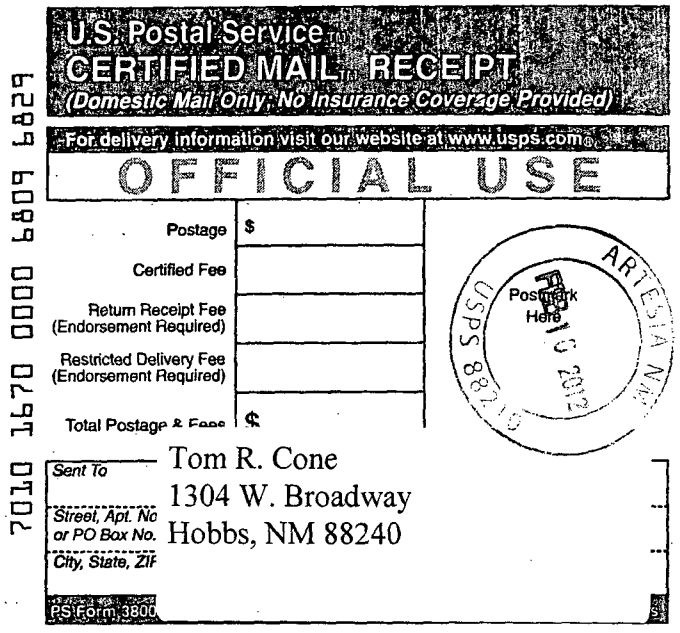
Oklahoma City, OK 73102
PS Form 3800, A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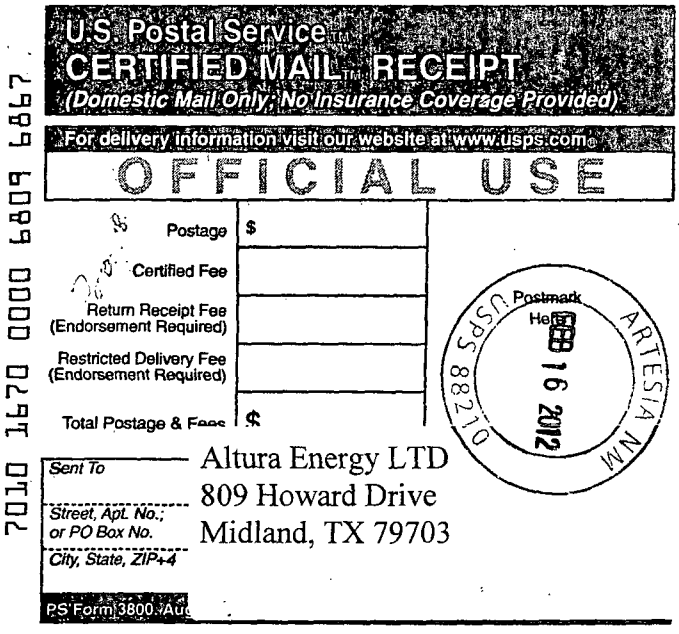
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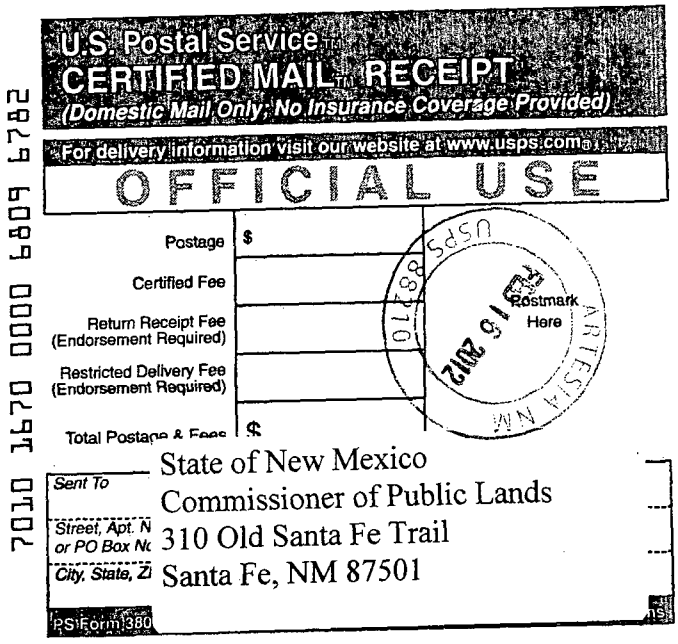
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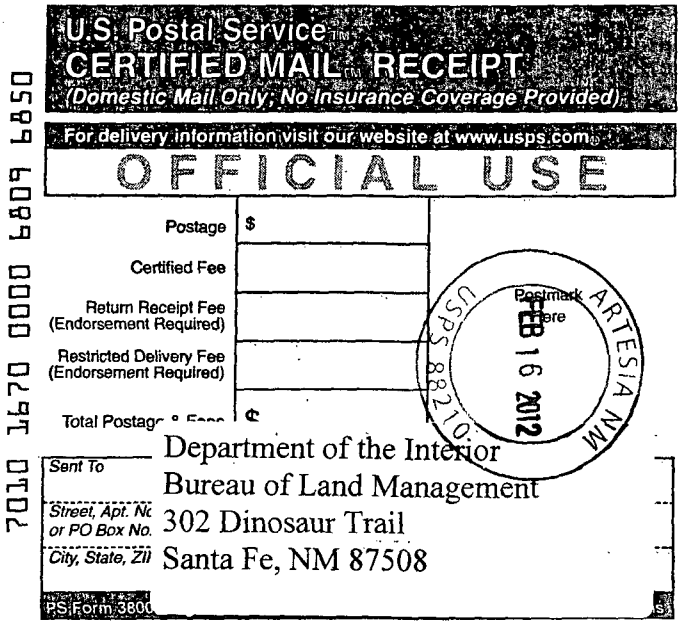
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Santa Fe, NM 87508
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Affidavit of Publication

NO. 22032

STATE OF NEW MEXICO

County of Eddy:

Danny 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 state, and that the hereto 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 February 19, 2012

Second Publication

Third Publication

Fourth Publication

Fifth Publication

Subscribed and sworn to before me this

21st day of Feburary 2012

OFFICIAL SEAL
Latisha Romine
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires: 5/12/2015

Latisha Romine

Latisha Romine
Notary Public, Eddy County, New Mexico

Copy of Publication:

LEGAL NOTICE

Per New Mexico Oil Conservation Division Rules and Regulations, please find the enclosed a copy of NMOCD form C-108.

BASiC Energy Services P.O. Box 10460, Midland Texas 79702 has filed form C-108 (Application for Authorization to Inject) with the New Mexico Oil Conservation Division.

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Sincerely,
Lyn Sockwell
Director of Environmental
P.o. Box 10460
Midland Texas 79702
Phone 432-620-5500
lyn.sockwell@basicenergyservices.com
Published in the Artesia Daily Press, Artesia, N.M., Feb. 19, 2012 Legal No 22032.

BASIC
ENERGY SERVICES

May 9, 2012

Re: C-108 Application
Shugart St # 2
API 30-015-32438
T18S - R31E, Sec 16
Eddy County NM

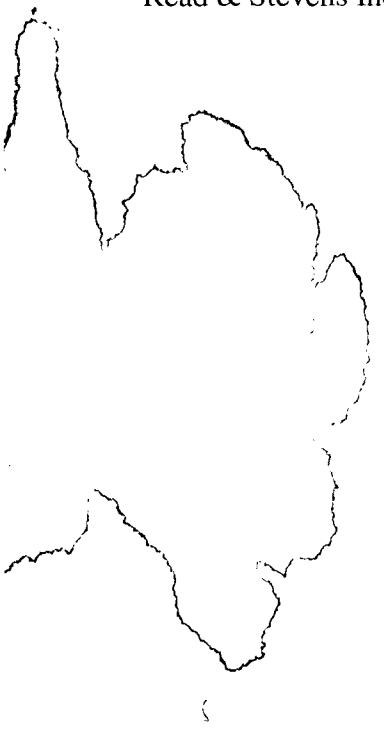
To Whom It May Concern:

Pursuant to NMAC 19.15.26.8 please find enclosed a complete Application for Authorization to Inject for the above described.

Thank you,

Basic Energy Services, LP

Name	address	address
State of New Mexico	Commissioner of Public Lands	310 Old Santa Fe Trail
Larry Bennett Hughes	Star Route A	Box 57
Department of the Interior	Bureau of Land Management	302 Dinosaur Trail
Mewbourne Oil Co	Attn: Drew Robison	500 W Texas, Ste 1020
Cimarex Energy of CO	600 N Marienfeld	Suite 600
Asher Enterprises LTD		12808 Lorien Way
Fasken Oil & Ranch LTD	303 W Wall	Suite # 1800
Read & Stevens Inc.		PO Box 1518



other, city, state
Santa Fe, NM 87501
Monument, NM 88265
Santa Fe, NM 87508
Midland, TX 79701
Midland, TX 79701
Oklahoma City, OK 73170
Midland, TX 79701
Roswell, NM 88202

Name	address	address	other, city, state
State of New Mexico	Commissioner of Public Lands	310 Old Santa Fe Trail	Santa Fe, NM 87501
Larry Bennett Hughes	Star Route A	Box 57	Monument, NM 88265
Department of the Interior	Bureau of Land Management	302 Dinosaur Trail	Santa Fe, NM 87508
Mewbourne Oil Co	Attn: Drew Robison	500 W Texas, Ste 1020	Midland, TX 79701
Cimarex Energy of CO	600 N Marienfeld	Suite 600	Midland, TX 79701
Asher Enterprises LTD		12808 Lorien Way	Oklahoma City, OK 73170
Fasken Oil & Ranch LTD	303 W Wall	Suite # 1800	Midland, TX 79701
Read & Stevens Inc.		PO Box 1518	Roswell, NM 88202

Name	address	address	other, city, state	city, state
State of New Mexico	Commissioner of Public Lands	310 Old Santa Fe Trail	Santa Fe, NM 87501	
Department of the Interior	Bureau of Land Management	302 Dinosaur Trail	Santa Fe, NM 87508	
Legacy Reserves Operating, L.P.	P. O. Box 10848	Midland, TX 79702		
Cameron Oil & Gas, Inc.	P. O. Box 1456	Roswell, NM 88202		
Nortex Corporation	1415 Louisiana	Suite 3100	Houston, TX 77002	
Mobil Producing Texas & New Mexico, Inc.	P. O. Box 2305	Houston, TX 77102		
Magnum Hunter Production, Inc.	% Cimerax Oil & Gas	600 N. Marienfeld	Suite 600	Midland, TX 79701
Cimerax Energy of Colorado	600 N. Marienfeld	Suite 600	Midland, TX 79701	
Devon Energy Production Company, L.P.	20 N. Broadway	Oklahoma City, OK 73102		
Tom R. Cone	1304 W. Broadway	Hobbs, NM 88240		
Altura Energy LTD	809 Howard Drive	Midland, TX 79703		

To: Alvarado, David
Cc: Wigington, Lynn; Newman, James; Linebarger, Dan; Echols, John-Mark
Subject: FW: Shugart State #2 C108 Application

FYI from Cimarex on the Shugart SWD Project

From: Jesse Parkison [mailto:jparkison@cimarex.com]
Sent: Friday, February 24, 2012 10:48 AM
To: Sockwell, Lyn
Cc: David Pearcy
Subject: Shugart State #2 C108 Application

Lyn,

Thanks for notifying us on you intention to convert the subject well to an SWD. Cimarex does not intend on protesting your application. Please keep us in mind if you have capacity in the well, because we would certainly be interested in sending you some water from our nearby producers.

Jesse Parkison
Cimarex – Permian Production Engineer
Direct 432-620-1941
Fax 432-571-7832
Cell 432-312-1274
JParkison@Cimarex.com

David Alvarado
Office 575.746.2072
Cell 575.513.1238
Fax 575.746.2435

Basic Energy Services Confidentiality Notice:
The information in this email is confidential. It is intended solely for the addressee. Access to this email by anyone else is unauthorized. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful.

NM Fluid Sales/1307
PO Box 1375
303 Commerce Street (88210)
Artesia NM 88211-1375
575-746-2072 (office)
575-746-2435 (fax)

-----Original Message-----
From: Jones, William V., EMNRD [William.V.Jones@state.nm.us]
Sent: Tuesday, May 01, 2012 12:16 PM Central Standard Time
To: Alvarado, David; Sockwell, Lyn
Cc: Brooks, David K., EMNRD; Swazo, Sonny, EMNRD; jamesbruc@aol.com
Subject: Disposal applications from Basic Energy Services LP (OGRID 246368) Redhawk 32 State Well No. 1 30-025-31888 and Shugart State #2 30-015-32438

Hello David and Lyn,
The division recently received two applications for disposal from Basic Energy.

As you know, we cannot approve any injection/disposal application until the 15 day notice suspense period is complete without objection from affected persons.

Would you please certify in the affirmative that all "affected parties" have been mailed a copy of these applications (form C-108 complete with all attachments) as required in NMAC 19.15.26.8 ?

Thank You,

William V Jones, P.E.

Engineering, Oil Conservation Division

1220 South St. Francis Drive, Santa Fe, NM 87505

Tel 505.476.3448 ~ Fax 505.476.3462

Jones, William V., EMNRD

From: Alaniz, Gloria [Gloria.Alaniz@basicenergyservices.com]
Sent: Wednesday, May 09, 2012 1:59 PM
To: Jones, William V., EMNRD; jamesbruc@aol.com
Cc: Alvarado, David; Sockwell, Lyn
Subject: RE: Disposal applications from Basic Energy Services LP (OGRID 246368) Redhawk 32 State Well No. 1 30-025-31888 and Shugart State #2 30-015-32438
Attachments: complete application.pdf; addresses for redhawk 32 1.xls; addresses for shugart2.xls

Gentlemen, pursuant to NMAC 19.15.26.8, a complete C-108 application has been mailed, Certified, Return Receipt to all affected parties described in subject line. Please find attached mailing list along with cover letter.

Thank you,
Gloria Alaniz
Basic Energy Services

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Wednesday, May 02, 2012 3:36 PM
To: Alaniz, Gloria
Subject: RE: Disposal applications from Basic Energy Services LP (OGRID 246368) Redhawk 32 State Well No. 1 30-025-31888 and Shugart State #2 30-015-32438

Gloria,
Fine with me...Thank You.
We have one operator that apparently did NOT receive the entire C-108 for the Redhawk.
I will forward their email....

Will Jones

From: Alaniz, Gloria [mailto:Gloria.Alaniz@basicenergyservices.com]
Sent: Wednesday, May 02, 2012 2:10 PM
To: Jones, William V., EMNRD
Cc: Alvarado, David; Sockwell, Lyn; Wigington, Lynn
Subject: Disposal applications from Basic Energy Services LP (OGRID 246368) Redhawk 32 State Well No. 1 30-025-31888 and Shugart State #2 30-015-32438

Will, please accept this affirmation for complete C-108 Application and Proof of Notice mailing to affected parties described in subject line.

Thank you,
Gloria Alaniz

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Sunday, June 17, 2012 12:06 PM
To: Alvarado, David; Sockwell, Lyn
Cc: Ezeanyim, Richard, EMNRD; Mull, Donna, EMNRD; Phillips, Dorothy, EMNRD
Subject: Disposal application from Basic Energy Services LP: Shugart State #2 30-015-32438 Delaware from 5150 to 5740 feet

Hello David and Lyn,
Looked over this application and have a couple of requests,

DELAWARE & UPPER BONE SPRING

a. The offsetting plugged well 30-015-22756 has some issues on cement coverage, its open behind pipe from 4800 to 8600 feet – but it is plugged and the uncovered areas were recently tested in your well. This was not specifically covered in the application, but the well files had the info on recent testing in your well of all prospective intervals from 4800 to 8600 feet. That poorly cemented well is located in Unit letter N of Sec 16 - please talk to Magnum Hunter and Cimarex and let me know what each of these parties say about this well and its susceptibility to damage from your disposal. The open intervals would be in the lower Brushy Canyon and the entire Bone Spring. If you obtained a waiver from them it would be best.

b. Under OGRID 246368, our web site shows one bond needing to be posted for 30-025-31888. Please check with Donna Mull in Hobbs as to whether this truly needs to be posted and if so send the money to Dorothy Philips of this Santa Fe office. If no bond is needed let me know.

STILL 9/24/12

Please check on these issues soon – I have your permit drafted and ready for release.

Thank You,

William V Jones, P.E.
Engineering, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505
Tel 505.476.3448 ~ Fax 505.476.3462

To: Jesse Parkison
Cc: Alaniz, Gloria
Subject: RE: Shugart State # 1

Good afternoon Jesse
Wondering if you had time to go over the C-108 Gloria sent to you via scan?
Your thoughts are greatly appreciated and any advice you might have.

I know your busy and my apologies in interrupting your day.

Regards,
Dave

From: Jesse Parkison [mailto:jparkison@cimarex.com]
Sent: Thursday, September 13, 2012 7:27 AM
To: Alvarado, David
Cc: Alaniz, Gloria
Subject: RE: Shugart State # 1

David,

Cimarex is Magnum Hunter for most purposes, so you'll just need to deal with us. Can you send me a copy of the C108? My only concern having read Will's comments is the protection of our BS production near that well. If that is protected we can work on some form of "waiver."

Jesse Parkison
O: 432.620.1941
C: 432-312-1274

From: Alvarado, David [mailto:David.Alvarado@basicenergyservices.com]
Sent: Wednesday, September 12, 2012 8:36 AM
To: Jesse Parkison
Cc: Alaniz, Gloria
Subject: Shugart State # 1

Jesse good day!

I have received word from my VP's that our Shugart St. # 2 AFE has been approved.
Thank you for the support and am in need of your help.
I have the permit approved and it sits on Will Jones Desk.
Will has requested that we make contact with Cimarex and Magnum Hunter for your thoughts on an off set plugged On-guard well API 30-015-22756.
Below is the letter Will Jones sent Lyn and myself that explains his needs.
I noticed that when I put the C-108 together Magnum Hunter had the same address would you know who I should contact with them?

Thanks sir once again for the support.
I would love to fire off this project as soon as I can before winter hits me in the eye.

Regards,

David Alvarado

Jones, William V., EMNRD

From: Alvarado, David <David.Alvarado@basicenergyservices.com>
Sent: Wednesday, September 19, 2012 2:38 PM
To: Josh Leatherwood; Jones, William V., EMNRD
Cc: Wigington, Lynn; Ehrlich Mark
Subject: RE: Shugart State # 1

Thanks guys for the help Basic Energy Services and I thank you all in working with us.
I will send this to Will Jones and see if he will get my permit headed our way.
Once I prove the well I will let you all know how she does.

Regards
Dave

From: Josh Leatherwood [mailto:jleatherwood@cimarex.com]
Sent: Wednesday, September 19, 2012 2:21 PM
To: Alvarado, David
Cc: Alaniz, Gloria; Jesse Parkison
Subject: RE: Shugart State # 1

David, I have reviewed the mentioned P&A'd well and Cimarex wells near by. Upon review, I don't not believe that the SWD will jeopardize Cimarex current or future interests.

Thanks,

Josh Leatherwood
Production Engineer
Cimarex Energy
Office (432) 620-1981
Cell (432) 741-0179
jleatherwood@cimerex.com

From: Jesse Parkison
Sent: Wednesday, September 19, 2012 2:02 PM
To: Alvarado, David
Cc: Alaniz, Gloria; Josh Leatherwood
Subject: RE: Shugart State # 1

David, I handed this to another engineer (cc'd). I'll go discuss with him asap. I understand time is $$ on these things.

Jesse Parkison
O: 432.620.1941
C: 432-312-1274

From: Alvarado, David [mailto:David.Alvarado@basicenergyservices.com]
Sent: Wednesday, September 19, 2012 1:59 PM

Jones, William V., EMNRD

From: Josh Leatherwood <jleatherwood@cimarex.com>
Sent: Wednesday, September 19, 2012 2:30 PM
To: Jones, William V., EMNRD
Cc: Jesse Parkison
Subject: RE: Shugart State # 1

Will, As requested below, I , on behalf of Cimarex and Magnum Hunter, have reviewed the mentioned P&A'd well and Cimarex wells near by. Upon review, I don't not believe that the SWD will jeopardize Cimarex current or future interests. Cimarex therefore agrees to grant the referenced waiver below.

Thanks,

Josh Leatherwood
Production Engineer
Cimarex Energy
Office (432) 620-1981
Cell (432) 741-0179
jleatherwood@cimerex.com

From: Jesse Parkison [mailto:jparkison@cimarex.com]
Sent: Thursday, September 13, 2012 7:27 AM
To: Alvarado, David
Cc: Alaniz, Gloria
Subject: RE: Shugart State # 1

David,

Cimarex is Magnum Hunter for most purposes, so you'll just need to deal with us. Can you send me a copy of the C108? My only concern having read Will's comments is the protection of our BS production near that well. If that is protected we can work on some form of "waiver."

Jesse Parkison
O: 432.620.1941
C: 432-312-1274

From: Alvarado, David [mailto:David.Alvarado@basicenergyservices.com]
Sent: Wednesday, September 12, 2012 8:36 AM
To: Jesse Parkison
Cc: Alaniz, Gloria
Subject: Shugart State # 1

Jesse good day!

I have received word from my VP's that our Shugart St. # 2 AFE has been approved.
Thank you for the support and am in need of your help.
I have the permit approved and it sits on Will Jones Desk.
Will has requested that we make contact with Cimarex and Magnum Hunter for your thoughts on an off set plugged On-guard well API 30-015-22756.
Below is the letter Will Jones sent Lyn and myself that explains his needs.
I noticed that when I put the C-108 together Magnum Hunter had the same address would you know who I should contact with them?

Thanks sir once again for the support.
I would love to fire off this project as soon as I can before winter hits me in the eye.

Regards,

David Alvarado

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Sunday, June 17, 2012 12:06 PM
To: Alvarado, David; Sockwell, Lyn
Cc: Ezeanyim, Richard, EMNRD; Mull, Donna, EMNRD; Phillips, Dorothy, EMNRD
Subject: Disposal application from Basic Energy Services LP: Shugart State #2 30-015-32438 Delaware from 5150 to 5740 feet

Hello David and Lyn,
Looked over this application and have a couple of requests,

a. The offsetting plugged well 30-015-22756 has some issues on cement coverage, its open behind pipe from 4800 to 8600 feet – but it is plugged and the uncovered areas were recently tested in your well. This was not specifically covered in the application, but the well files had the info on recent testing in your well of all prospective intervals from 4800 to 8600 feet. That poorly cemented well is located in Unit letter N of Sec 16 - please talk to Magnum Hunter and Cimarex and let me know what each of these parties say about this well and its susceptibility to damage from your disposal. The open intervals would be in the lower Brushy Canyon and the entire Bone Spring. If you obtained a waiver from them it would be best.

b. Under OGRID 246368, our web site shows one bond needing to be posted for 30-025-31888. Please check with Donna Mull in Hobbs as to whether this truly needs to be posted and if so send the money to Dorothy Philips of this Santa Fe office. If no bond is needed let me know.

Please check on these issues soon – I have your permit drafted and ready for release.

Thank You,

William V Jones, P.E.
Engineering, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505
Tel 505.476.3448 ~ Fax 505.476.3462

From: Sockwell, Lyn
Sent: Friday, February 24, 2012 10:07 AM

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Monday, September 24, 2012 2:17 PM
To: 'Alvarado, David'; 'Sockwell, Lyn'
Cc: Phillips, Dorothy, EMNRD; 'jparkison@cimarex.com'
Subject: RE: Disposal application from Basic Energy Services LP: Shugart State #2 30-015-32438 Delaware disposal from 5150 to 5740 feet

Hello David and Lyn,
From the previous correspondence, it appears Cimarex is OK with the P&Aed well on its property having an unprotected interval of 4800 feet (Delaware) down to 8600 feet (upper Bone Spring). It appears from the well records that the Brushy Canyon and upper Bone Spring was tested in your proposed well but were non-commercial.

Our records still show a Single Well bond is needed for the Red Hawk 32 State #1 (30-025-31888). Let me know when the bond is posted or if our Hobbs district office says the bond is not needed, please forward to me that correspondence.

Thank You,

Will Jones

From: Jones, William V., EMNRD
Sent: Sunday, June 17, 2012 12:06 PM
To: Alvarado, David; Sockwell, Lyn
Cc: Ezeanyim, Richard, EMNRD; Mull, Donna, EMNRD; Phillips, Dorothy, EMNRD
Subject: Disposal application from Basic Energy Services LP: Shugart State #2 30-015-32438 Delaware from 5150 to 5740 feet

Hello David and Lyn,
Looked over this application and have a couple of requests,

a. The offsetting plugged well 30-015-22756 has some issues on cement coverage, its open behind pipe from 4800 to 8600 feet – but it is plugged and the uncovered areas were recently tested in your well. This was not specifically covered in the application, but the well files had the info on recent testing in your well of all prospective intervals from 4800 to 8600 feet. That poorly cemented well is located in Unit letter N of Sec 16 - please talk to Magnum Hunter and Cimarex and let me know what each of these parties say about this well and its susceptibility to damage from your disposal. The open intervals would be in the lower Brushy Canyon and the entire Bone Spring. If you obtained a waiver from them it would be best.

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Please check on these issues soon – I have your permit drafted and ready for release.

Thank You,

Jones, William V., EMNRD

From: Alvarado, David <David.Alvarado@basicenergyservices.com>
Sent: Monday, September 24, 2012 3:29 PM
To: Jones, William V., EMNRD
Subject: RE: Disposal application from Basic Energy Services LP: Shugart State #2 30-015-32438 Delaware disposal from 5150 to 5740 feet

Hi Will,
I will get back with you on this ASAP
Things are a little crazy around here with the Corp move to Fort Worth.
Lyn took another job and is no longer with us. I will deeply miss him.
I am trying to get debriefed as to all the projects he had been working on until the new replacement Mark Ehrilich catches up to speed.
He will be over Regulatory in Fort Worth and for now is swimming as fast as he can.

I will call Donna Mull and see what we can get done sir.

On the Redhawk I have re done the C-108 and as soon as I get back the cover letter and legal notice letter signed from the VP we will send it to all and have yours in the mail.

Regards,
Dave

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Monday, September 24, 2012 2:17 PM
To: Alvarado, David; Sockwell, Lyn
Cc: Phillips, Dorothy, EMNRD; jparkison@cimarex.com
Subject: RE: Disposal application from Basic Energy Services LP: Shugart State #2 30-015-32438 Delaware disposal from 5150 to 5740 feet

Hello David and Lyn,
From the previous correspondence, it appears Cimarex is OK with the P&Aed well on its property having an unprotected interval of 4800 feet (Delaware) down to 8600 feet (upper Bone Spring). It appears from the well records that the Brushy Canyon and upper Bone Spring was tested in your proposed well but were non-commercial.

Our records still show a Single Well bond is needed for the Red Hawk 32 State #1 (30-025-31888). Let me know when the bond is posted or if our Hobbs district office says the bond is not needed, please forward to me that correspondence.

Thank You,

Will Jones

From: Jones, William V., EMNRD
Sent: Sunday, June 17, 2012 12:06 PM
To: Alvarado, David; Sockwell, Lyn
Cc: Ezeanyim, Richard, EMNRD; Mull, Donna, EMNRD; Phillips, Dorothy, EMNRD

Inactive Well Additional Financial Assurance Report

246368 BASIC ENERGY SERVICES, LP
Total Well Count: 8
Printed On: Thursday, November 15 2012

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Bond In Place	In Violation
303946	BELCO #001	P	E-20-23S-28E	E	30-015-25141	S	01/2012	02/01/2014	Unknown	Unknown		0	
	BELCO #002	P	F-20-23S-28E	F	30-015-25433	S	09/2012	10/01/2014	Unknown	Unknown		10930	
303510	EUNICE #001	F	O-34-21S-37E		30-025-26884	M			1816			0	
303235	LEA #002	P	A-17-23S-37E	A	30-025-27682	S	09/2012	10/01/2014	6700	11700		7500	
303947	MYRTLE MYRA SWD #001	F	C-21-21S-27E	C	30-015-21515	S	09/2012		99999			0	
303511	SALADO #002	F	A-20-25S-37E	A	30-025-32394	M			1420			50000	
303948	STATE G COM #001	S	E-24-19S-27E	E	30-015-22955	S	09/2012	10/01/2014	11136	16136		0	
306022	STATE NO #001	S	2-7 -19S-36E	E	30-025-28468	S	09/2012	10/01/2014	11040	16040		0	

WHERE Ogrid:246368

Injection Permit Checklist (11/15/2010) 1340

WFX ____ PMX ____ SWD ~~1340~~ 1340 Permit Date ~~6/7/12~~ UIC Qtr (AFC/S)

Wells 1 Well Name(s): SHUG art State #2

API Num: 30-0 15-32438 Spud Date: 11/4/02 New/Old: N (UIC primacy March 7, 1982)

Footages 1850 FSL/1650 FWL Unit K Sec 16 Tsp 18S Rge 31E County EDDY

General Location:

Operator: BASIC ENERGY SERVICES LP Contact DAVID ALVARADO / LYN Sockwell

OGRID: 246368 RULE 5.9 Compliance (Wells) 0/10 (Finan Assur) X IS 5.9 OK? one Bond (30-015-31888)

Well File Reviewed ___ Current Status: P&A morrow

Planned Work to Well: Clean out

Diagrams: Before Conversion ✓ After Conversion ✓ Elogs in Imaging File: will run Logs ✓

Well Details:

	Sizes Hole.......Pipe		Setting Depths	Stage Tool	Cement Sx or Cf	Determination Method
New __ Existing ✓ Surface	17 1/2	13 3/8	674'		580SX	surf.
New __ Existing ✓ Interm	11	8 5/8	4,516'		1410	surf.
New __ Existing ✓ LongSt	7 7/8	5 1/2	11,970'	9723	2000SX	CIRC/CALC
New __ Existing __ Liner						
New __ Existing __ OpenHole						

Depths/Formations:

	Depths, Ft.	Formation	Tops?
Formation(s) Above	3216	QN	✓
	4200'	SA	✓
	4510	Del	✓
Injection TOP:	5150'	Del	Max. PSI 1,030 OpenHole ___ Perfs ✓
Injection BOTTOM:	5740'	Del	Tubing Size 2 7/8 Packer Depth 5100'
Formation(s) Below	5840 / 3rd BS Sand	BS	✓
	9461	WC	✓
	10565	Strawn	✓

~~Capitan Reef?~~ ~~(Potash?~~ ~~Noticed?~~ ~~) [WIPP?~~ ~~Noticed?~~ ~~]~~ Salado Top/Bot 767 - 2170 ~~Cliff House?~~

Fresh Water: Depths: ____ Formation ____ Wells? No Analysis? ____ Affirmative Statement ✓

Disposal Fluid Analysis? ✓ Sources: Commercial - TRUCKED in

Disposal Interval: Analysis? ____ Production Potential/Testing: See writeup

Notice: Newspaper Date 2/19/12 Surface Owner SLO. Mineral Owner(s) SLO.

RULE 26.7(A) Affected Persons: See LIST

AOR: Maps? ✓ Well List? ✓ Producing in Interval? NO Wellbore Diagrams? ✓

.......Active Wells 2 Repairs? 0 WhichWells? —

.........P&A Wells 2 Repairs? 1 Which Wells? — 30-015-22756 (4800-8600 open BEHIND PIPE)

Issues: Request Sent ____ Reply: ____